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MONDAY JULY 1 1996

# Chilean dealer rejects Sumitomo's 'rogue trader' idea

Sumitomo Corporation's claims that Yasuo Hamanaka, the former chief copper trader whose unauthorised trades cost the company an estimated \$1.8bn, was a "rogue trader" have been rejected by a former Chilean copper trader. Juan Pablo Dávila, the former head of futures trading at the Chilean state copper company who allegedly lost \$174m on the London Metal Exchange as a "rogue trader", says it is impossible for one individual to have acted on his own. Page 16

Karadzic 'resignation' causes confusion: Bosnian Serb leader Radovan Karadzic appeared to continue defying international pressure for his removal when the Serbs repudiated a letter said to announce his resignation and the handing over of power to his deputy Biljana Playsic, Page 2

Similia wins Pasok leadership: Greek prime minister Costas Similia was elected leader of the governing Panhellenic Socialist Movement, succeed ing Andreas Papandreou, who died a week ago.

Goldman Sachs favoured for CiNHan: US-based investment bank Goldman Sachs is heading a list of finalists seeking to buy CIN Management, British Coal's pension fund manager which controls about £17bn (\$26bn) of assets. Page 17

G7 moves to stabilise monetary syste The Group of Seven leading industrial countries, adopting proposals aimed at increasing the stability of the international monetary system, said surveillance of national economic policies should be stepped up. Page 4; Lex, Page 16

MCA to steer clear of Internet: Frank Biondi, chairman of MCA, the media and entertainment subsidiary of the Seagrams drinks group, said Internet surfing was comparable with "reading the Yel-low Pages" and his company will steer clear of spending in cyberspace. Page 17. Media Futures,

Call for US compromise on chip trade: Japan has warned Washington that it risks harm-

ig relations unless the US is prepared to compromise over a dispute on semiconductor trade. Page 4

London exchange to cut 350 Jobs: The London Stock Exchange is to shed 350 jobs as part of a review aiming to cut costs by a third and cope with increasing competition. Page 7; Lex, Page 16

india firm on nuclear test treaty: Indian foreign minister Kumar Guiral confirmed that his country did not intend to sign a global treaty out-lawing nuclear tests, saying it would retain the nuclear option as long as the official nuclear powers failed to disarm. Page 4; Editorial Comment,

China warns on currency convertibility: China will make its currency convertible on the capital account following the phasing in of current ity would take some time, it warned. Page 6

Gates tops Forbes' billionaires list: Microsoft founder Bill Gates (below) topped Forbes



magazine's ranking of the world's billionaires for the second year with an estimated net worth of \$18bn. The family and heirs of Wal-Mart founder Sam Walton head the list of families,

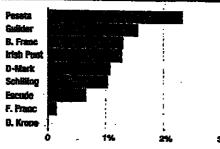
with a net worth of \$22.9bn. Royal Dutch Schell Group, the Anglo-Dutch oil company, has replaced General Motors as leader of the World ranking of the world's most powerful companies.

Suicide bomber kills five in Turkey: At least five soldiers were killed and 25 people wounded in a suicide bomb attack on a military parade in the eastern Turkish town of Tunceli. Security officials said they suspected the attack was the work of Kurdish guerrillas. Premier pledges moderation,

Hill wins French Grand Price Britain's Damon Hill extended his world championship lead with a win in the French Grand Prix at Magny-Cours. His Williams-Renault team-mate Jacques Villeneuve from Canada finished second.

European Monetary System: The spread between the strongest and weakest currencies in the EMS grid was little changed last week as the calm in exchange rate markets continued. The Irish punt climbed above the Belgian franc, and the Danish krone and French franc changed places at the bottom of the grid. Currencies, Page 25

### EMS: Grid June 28, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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President 'in excellent shape', aides insist Poll rival seizes on absence US banks

# Health fears grow as Yeltsin fails to appear at rally

By Chrystia Freeland in Mosco and Matthew Kaminski in Klev

Russian president Boris Yeltsin failed to appear in public again yesterday, adding to fears over his health just three days ahead of the final round in the country's presidential election.

Mr Yeltsin, who was last seen in public on Wednesday morning, did not make a scheduled appearance at an outdoor rally yester-day. Aides said the president, who suffered two mild heart attacks last year, worked in the Kremlin on Saturday before going to a country dacha.

The president missed several planned campaign events last week. But aides insisted over the weekend he was "in excellent shape", had merely lost his voice, and would reappear before Wednesday's run-off.

His vanishing act has provided valuable ammunition in the final days of the campaign for Mr Gennady Zyuganov, his younger and more vigorous Communist rival in the poll. "If we're just talking about laryngitis then there would be no reason to cancel meetings with officials," Mr Zyuganov said. "In my view, it's a lot more complicated. On the other hand, at 65, after two serious heart attacks, you can't be in good health. Any country doctor will tell you that."

Mr Yeltsin's lack of visibility has already provoked jitters in Russia's capital markets and could undermine his recent campaign trail efforts to present him-self as an energetic leader. Now his absence seems to have thrown Moscow back to the habits of deception and rumour which characterised the Communist era.

Even the independent press is reverting to Soviet traditions. Interfax, a private company which has emerged as Russia's most prominent news agency, yesterday ran a lengthy interview with Mr Yeltsin. But the text Interfax sent to subscribers neglected to mention that its reporters had not seen the president in person but had merely received a written response to previously submitted questions.

Concerns about Mr Yeltsin's health have also revived worries that, even if he is re-elected, Russia could face a fierce Kremlin succession struggle in the coming months. The main post in that battle is the prime ministership; under current law it is the prime minister who takes over if the president dies or becomes

myrdin, the current premier, could face an uphill struggle to

retain his post.

Mr Alexander Lebed, the former general who finished third in the first round of presidential voting and was swiftly recruited to the Yeltsin team, yesterday hinted at another possible route to the succession, saying that the position of vice-president should

Mr Lebed, who chairs the security coincil, has made no secret of his lopes to inherit Mr Yelt-sta's mantle and observers predicted he would push to become vice-president if the job were rec-

An important indication of Mr Yeltsin's condition could come today, when the president is scheduled to sign a political pact with the leaders of Ukraine and Moldova in a high-profile Kremlin ceremony. But Russian presidential aides

were yesterday already preparing public opinion for the cancellation of the event, privately sug-gesting that the ceremony might not take place. They insisted that if the summit were called off it would be solely because of a last-minute decision by the Ukrainian and Moldova presi-



Sign of the times: a council worker in St Petersburg places an advertisement for a foreign beer over an old election poster for Boris Yeltsin ahead of Wednesday's presidential run-off in Russia

dents to postpone their visit to 'minister's office said that late

Yesterday afternoon a spokeswoman at the Ukrainian presidential administration said Kiev believed the trip was still on. But an official at the Moldovan prime

yesterday evening his country's delegation was told the Moscow ceremony had been cancelled for unspecified reasons.

No space for impartiality. Page 3

# Move to bypass Emu procedures halted

Brussels warns against drive for flexibility on Maastricht A Belgium-led move to gloss over the fact that only a handful of

the 15 European Union member states are likely to qualify for a single currency next year has been halted by Brussels. Senior European Commission

legal officials warned last week that any move to bypass formal procedures on economic and monetary union risked breaching the Maastricht treaty on Emu and violating undertakings given to the European parliament At the European summit in Florence in June, Mr Jean-Luc

Dehaene, Belgian prime minister, argued forcefully in favour of jettisoning the formal treaty proce-dures on the grounds that it was obvious no such Emu majority

Other countries supported Mr Dehaene because they wanted to

meet the criteria and force clarity in interpretation of the treaty. The incident offers a foretaste of future political and legal wran-gles over interpretation of the treaty on Emu, but also underlines nervousness about the financial markets ahead of the planned launch of the single cur-

rency on January 1, 1999. The Maastricht treaty offers the chance for a fast-track Emu in 1997 if a majority of member states meet the criteria in 1996. Although the European Commission tried to keep alive hopes of an early launch date, it has long been apparent that 1997 is not feasible. Six months ago, EU

avoid a "full-blooded" interpreta-tion of the treaty, fearing it would highlight the failure to leaders quietly abandoned the early launch date and set all states qualify for the adoption of also determined to resist pressure the currency and make recom-by his Conservative party's Eurohopes on 1999, when a majority is no longer needed, but they were still saddled with the requirements of the treaty. The five Maastricht criteria on Emu are: low inflation and interest rates, exchange rate stability, as well as public deficits and government debt no higher than 3 per cent and 60 per cent of gross domestic

Under Article 109j of the treaty, EU finance ministers, acting by majority vote on a recommendation from the Commission, are required by the end of December 1996 to assess whether each member state meets the conditions for adoption of the single currency. In addition, ministers must mendations to heads of government. The European parliament is also supposed to be consulted and offer its opinion to KU lead-

Mr Kenneth Clarke, the UK chancellor of the exchequer, argued in favour of the kind of flexibility advocated by Belgium, partly to avoid the risk of having to exercise formally Britain's opt

by his Conservative party's Eurosceptics to rule out joining the single currency for the lifetime of

Mr Clarke has already won a victory among fellow finance ministers by insisting on a loose interpretation of the Maastricht . criteria on exchange rate stabil-

Continued on Page 16 Labour reform 'vital', Page 3

# in fight for French property portfolio

By Simon London in London and Andrew Jack in Paris

Three US investment banks have been shortlisted to acquire an FFr11bn (\$2.1bn) property and loans portfolio from Suez, the French financial and industrial

holding company. Goldman Sachs, Lehman Brothers and Morgan Stanley are bidding for the portfolio, which marks the largest attempt yet by a French company to reduce its exposure to the property market.
Union des Assurances de Paris,
France's largest insurance group, last month sold a portfothe of property leans with a gross value of FFr3.2bu to a consor-tium led by Whitehall, the real estate fund managed by Gold-

Earlier in the year, Suez itself sold a smaller FFr745m loan portfolio. The latest package has a face value of about FFr20bn but has already been writtendown by the group in prepara-tion for the sale. The winning bidder is expected to pay close to the FFr11bn book value of the

In April, Suez reported a FFr4bn loss for 1995, partly because of additional property provisions. In May, it announced the sale of Indosuez, its banking arm, to Credit Agricole.

Mr Gerard Mestrallet, chairman, has said Suez would dis-pose of all its property activities by 2001. Investment bankers expect other French companie and financial institutions to fol-low Suez by selling large prop-erty and loan portfolios. International investors led by

US investment banks believe the French property market could be poised for a recovery after years of falling rents and values. Générale des Eaux, the utilities and communications group, has asked banks to advise on the possible sale of a substantial part of its FFr25bn property

The group owns some of the most attractive investment properties in Paris such as the 77,000 sq m International Business Machines headquarters at La Defence, the office

Continued on Page 16

# Chinese press hails last year of British rule in Hong Kong

By John Ridding in Hong Kong

China yesterday marked the start of the final year before Britain hands back control of Hong Kong with declarations of national unification and the end of colonial

The newspaper Liberation Army Daily called on the Communist party and the military to continue the "sacred task", including the return of Macao from Portugal and unification "Today the Chinese people have stood up and will finally

wash away a century of national disgrace," echoed the People's Daily in an editorial. "The return of Hong Kong to the motherland is a great and shining moment." Citing the efforts of Mr Deng Xiaoping, China's ailing paramount leader, and President Jiang Zemin, an editorial in the Liberation Army Daily claimed that the handover would signal the end of the "Jin period" of modern history, which started with the Opium Wars of the 1840s and which covered military defeats and colonial occupation.

The mounting propaganda cam-paign came amid demonstrations in Hong Kong by pro-Beiling sup-porters and democracy activists. Several hundred demonstrators marched to the headquarters of Xinhua news agency, Beijing's de facto embassy in Hong Kong, to protest against China's plans to the terri-tory's elected legislature. Hone Konn

Hong Kong's main journalists' association expressed fears that freedom of expression would be curbed after the handover. Mr Malcolm Rifkind, Britain's

foreign secretary, expressed opti-mism about the handover, which is to occur on the stroke of midnight on June 30 next year. "I believe that China's own interests point towards a successful and smooth transition for Hong Kong," he said in an interview published in the South China Morning Post. However, he warned that China's plans to abolish the legis-

cal leaders who clearly have the support of the people," he said in a reference to the Democratic party, the biggest group in Hong Kong's Legislative Council. Any breach of the treaties governing the handover, he warned, would be of great concern to the international community.

their tough line on the issue. Speaking at a pro-China rally, Mr Zheng Guo-xiong, deputy director of Xinhua, said democracy activists seeking to present a petition would be barred entry to China. On other matters, however, China sought to strike a rea ing tone. The People's Daily emphasised Hong Kong's autonomous status after the handover, warning Communist cadres and government officials not to inter-

fere in the territory.

The Financial News in Beijing said Hong Kong's status as an international financial and banking centre would be boosted by the handover.

HK barometers, Page 6 Personal view, Page 16

# Chinese officials maintained



are world champion Michael Schumacher's formula for success in Formula 1 car racing. Qualities he finds in his Omega, whether on the Grand Prix circuit or in his daily life. "Trust your judgement, trust Omega" -Michael Schumacher



The sign of excellence

CONTENTS

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Warracad Funds ... Custencies & Money ....... 25 Share information \_\_\_\_ 28.29

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# Karadzic sows confusion with 'resignation'

The Bosnian Serb leader, Mr Radovan Karadzic, yesterday defy international pressure for his removal when the Serbs repudiated a letter from him said to announce his resignation, Agencies report from Bel-

Mr Carl Bildt, the international mediator in Bosnia, said Mr Karadzic had relinquished all power to his deputy. Mrs Biljana Plavsic. Mr Bildt's statement was accompanied by a letter he had received from Mr Karadzic, signed and sealed by the Bosnian Serb leader. But diplomats in Sarajevo said it was so artfully worded as to raise doubts about its ultimate

No sooner had Mr Bildt made his announcement than Mrs Playsic told Reuters news agency that Mr Karadzic would remain president until Septem-ber 14, the date scheduled for Bosnian elections, Mr Karadzic himself was unavailable for

The Bosnian Serb president, twice indicted for war crimes, is required by the Dayton peace agreement to relinquish public office and surrender to the United Nations tribunal in The Hague. International pres-

THE FINANCIAL TIMES Published by The Financial Times (Europe) GmbH. Nibehmgenplatz 3, 60318 Frankfurt am Main, Germany, Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Depoty Chairman. Shareholders of the Financial Times (Europe) GmbH are The Financial Times (Europe) Ltd. London and F.T. (Germany Advertising) Ltd. London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Beidge, London SEI 9HL.

Responsible for Advertising: Colin A. Ken-nard. Printer: Hürriyet International Ver-lagsgesellschaft mbFl. Admiral-Rosendabl-Strasse 14, 6250 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lam-bert, do The Financial Times Limited, Number One Southwark Bridge, London SEI 98IL.

SEI 9HL
FRANCE:
PRANCE:
PRANCE:
Publishing Director: P. Maraviglia, 42 Rue
La Boëtic. 75008 PARIS. Telephone (01)
5376 8254, Pax (01) 5376 8253. Printer:
S.A. Nord Edair, 1521 Rue de Caire,
F-59100 Roubaix Cedes, I. Editor: Richard
Lambert. ISSN 1148-2753, Commission
Parliaire No 67808D.

Swednick Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007. S-550 06. ori: Richard Limited 1996. or: Richard Lambert, he Financial Times Limited, Number Southwark Beidge, London SEI 9HL



Bosnian Serb 'vice-president' Biljana Playsic (left) claims to have succeeded Karadzic (right)

sure, including the threat of a entire international commu-reimposition of sanctions on nity who once again are being which proved far less than it the self-styled Bosnian Serb "republic", and possibly also on the rump Yugoslavia, has been building steadily towards an unofficial deadline for action by today at the latest. "This episode is an embar-

made to look extremely foolish," said a western diplomat in Saraievo.

"The letter of resignation signed by Karadzic was full of loopholes but Bildt accepted it as a definitive statement. This rassment for Bildt and the is the second time he [Bildt] life and would no longer appear in public or wield power.
Although Mr Karadzie

became less prominent, possi-bly because Nato troops had pledged to arrest him if he crossed their path, he was far

Mr Bildt soon saw through the charade and refused to deal with Mrs Playsic, who he said was merely Mr Karadzic's sur-

Mrs Playsic, like Mr Karadzic, is known as a fierce opponent of the Dayton accords. A professor of biology, she pub-licly refused to shake the hand of Serbian President Slobodan

Mr Karadzic was re-elected president of his ruling Bosnian Serb political party on Satur-day, leaving him with wide powers in Serb-held Bosnia even if he does step down as

The latest ploy by the Bos-nian Serb leadership was likely further to antagonise the international community.

A White House spokesman, Mr David Johnson, said vesterday that the US government did not know for sure what Mr Karadzic's status now was. Reiterating Washington's policy towards the Bosnia Serb-leader, Mr Johnson said: "He [Karadzic] needs to be not only out of power but he needs to be out of influence, out of town and in the dock."

Mr Hasan Muratovic, the prime minister of Bosnia's slem-led government, said the latest Bosnian Serb move meant little. "He has not been replaced. This is only a new trick by Radovan Karadzic," Mr Muratovic said in the city of Mostar, where Moslems and Croats were voting yesterday in an election intended to bring together their divided

Heads of the Group of Seven industrialised nations and Russia urged Mr Karadzic to resign immediately at a summit meeting which closed on Saturday in the French city of Lyons.

The participants at the Lyons summit said they were ready to reimpose sanctions on the Serbs if this move was recommended either by Mr Bildt or by the commander of Nato's peacekeeping mission.

Diplomats said the G7 countries had been pleasantly surprised by Russia's willingness to accept this tough language in the statement.

# Jospin attacks & Gaullists over apartment probe

Prance's opposition Socialist party leader, Mr Lionel Jospin. vesterday attacked Mr Jacques Toubon, the justice minister. for thwarting judicial inquiries into the affairs of his fellow Gaullist, Mr Jean Tiberi, the mayor of Paris

Mr Jospin was speaking at a Socialist convention just after the Paris prosecutor, who comes under Mr Toubon's authority, refused to let Mr Bric Halphen, an investigating magistrate, pursue any further allegations that Mr Tiberi abused his past position on the city council by renting and refurbishing a city-owned apartment to his son.

Mr Halphen had also asked for Paris detectives to accompany him on a search last Thursday of Mr Tibert's own apartment, but they were stopped from going by the head of the Paris criminal police. The latter told yesterday's Journal de Dimanche that he had taken this decision without consulting any superi-

a treasure hunt". Mr Halphen eventually entered the Tiberi flat on his own and is said to have found two handguns. some ammunition and FFr20,000 (\$3,846) in cash

Paris has long been a Gauliist fiel, with Mr Jacques Chirac its mayor from 1977 until he became president last year and Mr Alain Juppe, its deputy mayor responsible for finance until he became prime minister last year. Both were criticised for use of low-rent city housing, and Mr Juppe was eventually ordered by a prosecutor to move out of his flat.

Mr Toubon, a Gaullist deputy mayor of Paris and city MP in the past, has denied any attempt to smother the inquiries of Mr Halphen, who is still investigating allegations that housing contractors inflated their bills in order to funnel money into Paris city coffers Mr Jospin yesterday prom-

ised that the Socialists would make the judiciary independent of the executive if they won the 1998 elections.

# Turkey's new Islanist PM pledges moderation

s Mr Necmettin Erbakan. A Turkey's new Islamist primary minister, prepared to unveil his government at a weekend news conference he noticed that a portrait of Kemal Ataturk, the secular republic's founder, behind the podium was hanging crooked. Mr Erbakan gently straightened the picture and proceeded to announce a government programme that promises continuity and minimal change.

Mr Erbakan said: "The essential basis of the [government] is that the Turkish Republic is a democratic, secular and social state based on law and the principles of Atatürk." He has little choice, since his alliance with Mrs Tansu Ciller's conservative True Path party and the vigilant, secularist military would block attempts to impose Islamic values. Yet he also stated that, while

maintaining Turkey's traditional pro-western policies, "co-operation with the Islamic, Central Asian and Balkan countries with which we have spiritual and historic links

Mr Erbakan's government will be a permanent exercise in mollifying Turkey's secularist majority - his Refah party took only 21 per cent of the vote in December's general election - without alienating his own

Although Refah is highly disci-plined, with great authority vested in the leader, its supporters must be wondering why Mr Brbakan, who once called Mrs Ciller "corrupt" and a "bride of the infidel", has handed her great power as his coalition partner. Only last week he warned Mrs Ciller: "It would be a disgrace if you tried to gain with trickery at the [negotiating] table what you failed to get from the lelectoratel." Refah will run the finance minis-

ture and public works which have little political importance but great powers of patronage. Mr Erbakan will be prime minister for two years, after which Mrs Ciller will take over for another two years.

Yesterday's confusion mir-

rored an announcement by Mr

Bildt in May that he had

received verbal assurances

leadership that Mr Karadzic

was stepping down from public

the Bosnian Serb

rue Path will head defence. interior, and foreign affairs, with Mrs Ciller as foreign minister and deputy prime minister. Thus Turkey's pro-western foreign policy is unlikely to change much. Turkey is a member of Nato, has a customs union with the European Union and in February signed a military co-operation agreement with Israel, angering other Moslem countries and Refah. However, foreign policy analysts fear Turkey's had

relations with Greece could worsen. The new government's first hurdle will be to secure a vote of confidence in the 550-member parliament. The coalition partners have

are not certain they can win a

Assuming the vote is positive, some doubt the government will last long. Mr Alan Makovsky of the Washington Institute for Near East Policy commented: "With widely differing views on foreign, economic and social affairs the coalition [is] unlikely to accomplish much and

unlikely to last long." Its cohesion may come under early attack from the opposition, furious at reports of an agreement to balt parliamentary corruption investigations into Mrs Ciller's and Refab's finances. Mr Bülent Ecevit. leader of the Democratic Left party, said "a Refah-True Path government would amount to a money-laundering operation"...

Managing the economy will probably be the government's biggest

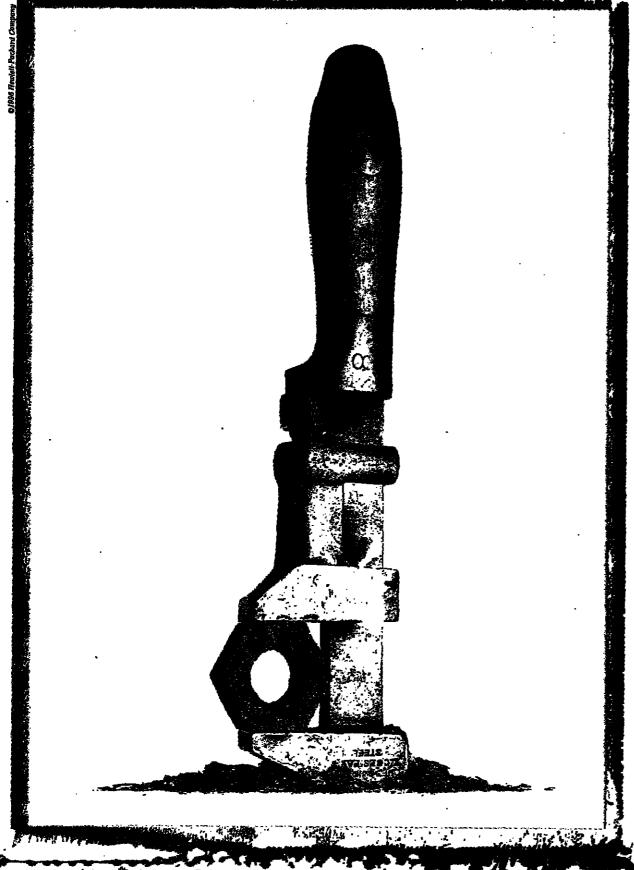
Mr Erbakan said "the main target

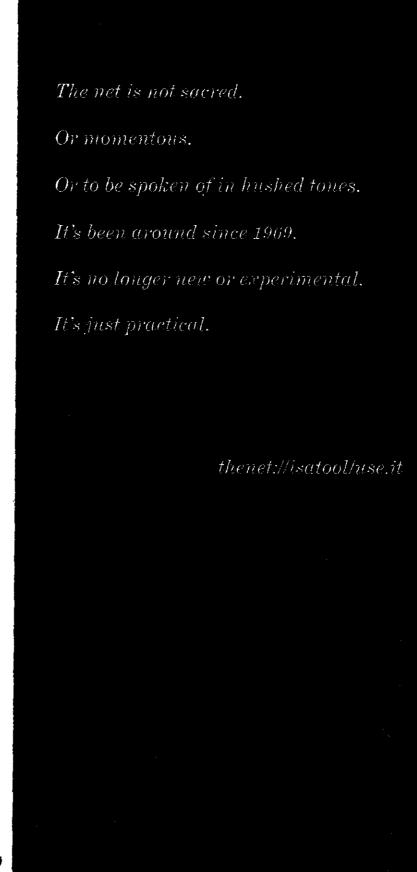
will provide conditions of a free market economy". On Friday, Istanbul's stock market actually rose 3 per cent on news that Turkey would finally have a government after

months of political confusion. Dealing with Turkey's 83 per cent inflation rate, unsustainable government deficits and a snowballing public debt requires tough policies. Although the economy should remain stable during the summer, when inflation traditionally subsides and hard currency revenues rise, financial analysts expect a crisis as winter approaches.

hey fear True Path and Refah will bicker over the political costs of reforming the ecopomy. Postponing reform or indulging in populist programmes would simply make the inevitable crisis all the more severe. Mrs Ciller has a mixed record running the economy. mismanagement is blamed for tipping Turkey into its deepest recession in 1994. But she stabilised the economy last year under guidance from the International Monetary Fund. Last September she scrapped her IMF agreement after calling elections and government spending went out of control. Ironically, the hardship her policies caused helned Refah become the biggest party in

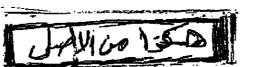
Mr Erbakan promises to bring prosperity without changing the secular order, but many Turks fear that if Refah remains in power for long, it will entrench itself in the machinery of state and gradually subvert Ataturk's heritage from within. Yet if his government should fail to satisfy his supporters, harder men could elbow him out of the leadership and push Refah towards a less commisting stance. Editorial Comment, page 15





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**NEWS:** EUROPE

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# Ireland sets out European stall

conclude a draft treaty on

Maastricht 2 by the European.

summit in Dublin in Decem-

ber, but British intransigence

ahead of the UK general elec-

tion is raising speculation that

By Lionel Barber in Brussels and John Murray Brown.

reland takes over the presidency of the European Union today at a critical time in its relations with

Although one of the most enthusiastic supporters of European political and economic integration, Ireland is increasingly aware that the comfortable certainties underpinning EU membership can no longer be taken for granted.

The forces of change are swirling inside the Maastricht treaty review conference (the IGC) which the Dublin govern-ment will steer for the next six months. But they are also being felt in the run-up to enlargement of the EU to the poorer countries of central and eastern Europe, which is bound to affect Ireland's status as the largest net recipient of EU fiscal transfers.

In the short term, however, Ireland must pick up the threads from the Italian presidency, whose performance suffered from the distractions of an election campaign at home and the disruption caused by Britain's policy of non-cooperation over the ban on British beef exports.

Beef could still prove troublesome, particularly if Mr

ter, fails to secure a partial lift-ing of the EU ban in early autumn. It has not escaped the attention of Irish officials that Mr Major's own informal timetable happens to coincide with what could be a Euroscepticdominated Conservative party conference in October. As well as clearing the backlog of EU business, Ireland intends to focus on three priorities:

The mechanics of monetary

union. EU finance ministers

and central bank governors

meet in mid-September in Dub-

lin to nail down an agreement

on the relationship between countries participating in the

planned single currency area and those outside, and on the

German plan for a stability

The Intergovernmental

Conference. Under pressure from France, the Irish presi-

dency has agreed to hold a spe-

cial summit of heads of govern-

ment and foreign ministers in Dublin in mid-October to give

pact to enforce budgetary disci-

pline in the post-Emu world.

the IGC may not wrap up business until autumn 1997.

• Employment. The Irish were disappointed with the inconclusive results of the Florence summit last month Presidency

of the

Ireland 1996 | European Union

and hope to relaunch European Commission president Jacques Santer's "pact of confidence" in December. Mr John Bruton, Irish prime minister, said last week he wanted to include an employment chapter in the Maastricht 2 treaty, though some see this as a marketing device for selling Europe to ordinary citizens rather than a new legally defined base for action on employment. Ireland, which joined the EU

in 1973, is probably the most pro-European state. It sees itself as an equal with its EU partners, a point which has helped the country improve

which it has had a troubled history. Economically, Ireland has benefited hugely from EU membership and as a recipient of EU fiscal transfers. On present projections, Mr Ruairi Quinn, finance minister, says Ireland's per capita income will have reached the EU average by 2004 and will overtake that

Ireland's success means it must plan for a reduction in Brussels regional aid, most likely around the turn of the century. But the Dublin gov-ernment does not want to offer hostages to fortune before the outcome of the IGC and the monetary union arrangements are certain or before serious negotiations start among member states on the size of the next EU budget.

of the UK by 2010.

On institutional matters, Ireland is aware this may be the last six-monthly presidency which it controls exclusively. In the IGC, ideas are being floated for a "team presidency" model involving at least one big country and lasting up to a

year or 18 months. Mr Bruton wants to show that small countries can conduct an effective presidency. Meanwhile, Mr Dick Spring. the laconic Irish foreign minis-ter, has made clear Ireland will go to the wall to retain its EU commissioner. Like all smaller

states, Ireland sees the Euro-

ian against bigger countries. On defence, Ireland is reviewing its stance as a neutral country. It is considering increasing its observer status in the Western European Union defence organisation, while stressing this does not

constitute membership of a military pact. On all of these issues, freland's freedom of action is constrained by tensions within the coalition, particularly on defence. Mr Bruton's Fine Gael party is prepared to go further in remodelling Irish neutrality than Mr Spring's Labour party or the small Democratic Left, led by Mr Prionsias de Rossa. But perhaps the most sensitive issue of all is the single currency, because it touches on Ireland's new-found self-esteem. Publicly, Ireland is committed to join; Ireland is also one of only three countries judged to meet the Maastricht criteria on public deficits and debt, alongside Denmark and

Luxembourg. Yet Ireland's export sector continues to be dependent on the UK. The Irish insist they can go it alone, but in practice they will be influenced heavily by what the UK chooses to do on Emu. It is an ironic twist. since so much of Ireland's recent economic success has been about cutting the umbilical cord with London.

# Lisbon pools defeat sparks tax debate

Fans suffered Portugal's defeat in the quarter finals of the Euro 96 football championship with forbearance. But the country's love of soccer is not passionate enough to pardon football clubs their tax arrears. A plan to help popular clubs such as Benfica and FC Porto pay their debts to the taxman has resulted in an embarrassing defeat for the Socialist government and touched off debate over what is officially acknowledged to be an unjust and inefficient tax system.

The minority government suffered its biggest setback since taking office last November over a bill that would have increased the football clubs share of revenue from the state football pools system from 50 to 100 per cent, to help them to pay back an estimated Es15bn (\$95m) in tax arrears.

The idea of such generosity to clubs which spend fortunes on new players but have largely ignored the taxman for years triggered an angry reaction. This is because tax evasion among companies and self-employed professionals is so rife in Portugal that the main brunt of taxation falls on

wage earners, the lowest paid. Opposition parties caught the mood and voted against the football pools measure, even though the previous centreright government had failed with several other schemes to bring the football clubs to order and despite the fact that tax arrears are estimated to have increased at a rate of Es150bn a year during the last four years it was in office.

The clubs' debts are only a tiny fraction of an estimated total of Es1.100bn owed in unnaid taxes and social security. But the football row has diverted attention away from more important government plans to enforce respect for tax regulations.

A clampdown on tax evasion and fraud is one of the main weapons being wielded by Mr Antonio Sousa Franco, the finance minister, in an effort to lift total tax revenue by 7.9 per cent this year to Es5,338bn, without increasing tax rates. On the same day as the foot-ball bill was defeated, the cabinet approved a decree-law enabling all tax arrears to be paid in instalments over 12%

The government hopes to recoup the equivalent of 2 per cent of gross domestic product, about Es300bn, in lost tax reverue in three years. Improved efficiency in tax collecting is forecast to bring in an extra Es82.3bn in revenue this year, more than half coming from the recovery of outstanding debts. But independent tax specialists believe these are optimistic targets.

"The answer lies in providing tax officers with better training in auditing techniques and raising the frequency and quality of field inspections." say Mr Carlos Loureiro, a Lisbon-based partner with Arthur Andersen. "Improving computer systems is also critical. Portugal lacks a crucial crosschecking system between cor-porate tax and VAT pay-

payments are usually deducted at source - carry a beavy burden, accounting for most of the raise in personal income tax this year. Total corporate tax revenue, forecast at just under half that, is largely paid by a

handful of big companies.

To squeeze salaried employ ees any further would be to kill the goose that lays the golden egg," says Mr Loureiro.

# Labour reform 'vital for Emu'

likely to fail without widespread reform of labour laws, according to the Union Bank of Switzerland, one of Europe's most respected financial institutions, writes

Daniel Green. · Monetary union would "not work from an economic perspective" because of low levels of economic integration and cross-border labour mobility, says the bank in a report published today.

"European governments have

to acknowledge that labour market reforms are just as important as fiscal discipline for monetary union to work

George Magnus, UBS chief co-author

The bank says monetary – Germany, the Benelux - could work provided their aligned. But even there, "asymmetric shocks" could

markets. It says that "wages are an asymmetric shock waiting to happen". French wages set in plant-by-plant talks could be different from German pay

expose discrepancies in labour

# union for core member states countries, Austria and France economic policies were tightly

settlements agreed nationally.

# EUROPEAN PRESS REPLECT

# No space for impartiality

By John Thornhill

Russia's independent media appeared to come of age last year in covering the conflict in the separatist region of Chechnya with striking openness and

The media, it seemed, really could play an influential role in building a civil society in a country where the Soviet state had for seven decades boasted of its monopoly of trath.
But some Russian journalists

fear newspapers have betrayed their relative immaturity in coverage of the presidential elections, which reach their second-round showdown on Wednesday when President Boris Yeltsin squares off against Mr Germady Zyuganov, his Communist challenger.

Most newspapers have dropped any pretence of objectivity, lining up on one side or other of the ideological barricade. Some journalists fear the liberal media's role as uncritical cheerleader for Mr Yelisin can only damage its credibility. Even the most impartially

minded newspapers, such as Sevodruja. Livestiga and Neza-visimaya Gazeta, have given minimal coverage to Mr Yeltsin's opponents and glossed over politically sensitive issues such as the president's health Less scrupulous newspapers have even stooped to running scare stories prepared by President Yeltsin's campaign team about the Communists' economic plans or to inflaming

imaginary disputes between . Communist party leaders. But this deluge of anti-Zyu-ganov propaganda has been offset partly by the Communist press, which has been savegely critical of Mr Yeltsin's regime.

Although Russian readers cannot hope to obtain a balanced view from any one newspaper, it is still possible to read an array of robust opinions from several different sources. One example came on Saturday in the reporting of Mr Zyugenov's meeting with the head of the Russian Orthodox

The pro-Communist Sovetskaya Rossiya turned over most of its front page to the presidential candidate's

thoughts about the importance of the national church in defeating the "powerful forces" in the world intent on destroying Russia. Mr Zyuganov appeared to come close to aton-ing for the Soviet Communist party's repression of religion, expressing regret for the mil-lions who had died in civil iroubles in Russia this century and promising to learn the les-

sons of history. "We completely reject the politics of state atheism, vowed Mr Zyuganov, who once worked in the Soviet Communist party's ideology depart-

But the newspaper failed to mention that the church hierarchy had come out strongly in favour of Mr Yeltsin or reflect that Mr Zynganov's views on many orthodox Communists.

These facts did not pass unnoticed by Komsomolskayo bible for ideologically correct Soviet youth but latterly transformed into an aggressively Beside a photograph of a

destroyed church, the newspa-per recorded previous Communist party leaders' violent thoughts about the role of religion in society, it observed that Mr Zyuganov would have been regarded by them as a "product of the putrefaction of ancient society".

Liberal journalists justify their overt political stance by claiming Mr Zyuganov would close their newspapers if he won the election and they promise to return to their traditionally critical observation of the powers-that be after the

elections. But at least some in the lib. eral camp wonder whether their anti-Zyuganov stance may not backfire.

Mr Alexander Minkin, one of

Russia's most spirited journalists, argued that the democratic press had destroyed much of its moral authority in its partisan coverage and would suffer lasting damage. Mr Minkin wrote that one newspaper editor told him: Write what you want, only do not touch Yeltsin Mr Minkin replied: Breathe what you

66People say that we live in the past. Well yes, we have been providing for the future by managing investments for 200 years. ??

> any things have been said about us. No doubt we asked for it. We've been doing the same job for 200 years: managing investments. And this longstanding experience has always been our pledge for the future. Can this reasonably be held against us?













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In GENEVA:

nent business in the United Kingdom. The protection afforded to investe sent has been approved by Lombard Odier Private Asset Management Limited and Pictet Asset Management UK Limit

# G7 to aim for monetary stability in chips dispute with US

By Bruce Clark and Robert Chote.

The Group of Seven leading industrial countries adopted a series of proposals by their finance ministers almed at bolstering the stability of the international monetary system at the close of their

Finance ministers said the G7's surveillance of national economic policies should be stepped up, concentrating on risks from both inside and outside the seven. Co-operation among finance ministry deputies, IMF staff and central bank deputies will also be strengthened in the run-up to ministerial meetings.

The G7 also recommended enhancing co-operation across markets to strengthen supervision of financial institutions, including better organisation of the links between banks, securities and insurance supervisors. Prudential regulation and supervision should be improved in emerging markets, while regulators everywhere should exert more pressure on the private sector to make market activities more

Derivatives markets were singled out as an important risk area, with the G7 arguing for improved reporting and disclosure of derivatives activities. The G7 welcomed the movements in key exchange rates over the past year, which they saw as a "positive and promising development". The ministers pledged to keep up their co-operation in foreign exchanges, noting that interven-tion was most effective when it was concerted and well-timed and when it reinforced changes in policies and eco-

In the political arena, the G7 and Russis issued an appeal for the Middle East peace process to be kept on track spite recent setbacks.

Without referring directly to the advent of a more hardline government in Israel, the eight leaders said the peace process "required a new impetus" and pledged "to provide full support to those who take risks for peace".

They said the resumption last year of contact between Syria and Israel "formed part of a peace dynamic that must be preserved". While taking note of the security fears that emerged in Israel's election campaign, they insisted that a comprehensive peace was the only guarantee of security for the region's population. But Mr Evgeni Pri-makov, the Russian foreign minister, sounded a pessimistic note, saying no breakthrough was likely before the US presidential elections.

In a 17-page list of pronouncements on world affairs, issued by the group's French presidency, the summit renewed appeals to Iran to "play a constructive role in regional and world affairs" and said no country should help Iran acquire nuclear weapons. Participants' attitudes to Iran varied from the total

isolation favoured by Washingto the co-operation pursued by Russia. Meeting in the presence of Mr Boutros Boutros Ghali, the UN secretary general whose reappointment has be blocked by the US, the group pledged early action to solve the UN's financial crisis, based on a fairer scale of contributions and prompt action by all coun-

tries to settle outstanding debts.
This was a clear reference to Washington's \$1.5bn debt to the UN, which the US Congress is reluctant to settle unless there are sweeping reforms in the areanisation.

In a new area of activity for the group, the leaders promised to intensity their co-operation in lighting infectious diseases, and vowed to create mechanisms for the prevention, detection and surveillance of epidemics. Pledging to attach "top priority" to

cerns into economic policy, the Group said it was exploring the possibility of new accounting systems that would take better account of natural resources as well as air, water and soil quality. However, parts of the G/Ts declaration on ecological issues were slightly softer than earlier drafts had indicated The leaders said they looked forward to international action on forestry management, but dropped earlier calls for a "legally binding instrument" on forestry to be considered.

the integration of environmental con-

Mr Victor Chemomydia, the Russia prime minister has urged leaders of the capitalist world to give his country credit for market reforms and to stop discriminating against Russian goods. Bruce Clark reports.

Mr Chemomyrdin completed in Lyons that Russia was still subject to many of the same barriers to participation in the world economy which it had faced in

"Nearly 70 per cent of our economy is outside the state sector, and yet Russia remains the object of many of the same prejudices and limitations which people sied to the Soviet Union," he said. "This is aimply patient, it is abnormal."

The prime minister was appa referring to Russia's desire to join the World Trade Organisation, and to its complaints that Russian exports ranging from urapium to textiles face unfair

Mr Chemomyrdin said the Lyons summit marked a step forward in the acceptance of Russia by the G7, which since 1994 has admitted Moscow to political discussions but not to hard-core economic ones. The Group had now natural resources, its economic and flectual potential, no global problem can be solved".

for a re-examination by the UN of the legal status of the Caspian Sea.

# Japan takes tougher line

Japan has toughened its stauce in a dispute with the US over semiconductor trade, by giving a veiled warning that Washington risks harming bilateral relations unless it is prepared to commonise.

Mr Ryutaro Hashimoto, Japan's prime minister, said he conveyed this message to President Bill Clinton after the skend G7 summit in Lyons. The US leader had suggested in Lyons that the two governments aim to settle the issue and a trade dispute over insur-ance - by the end of this

Mr Hashimoto said Japan would "do its utmost" to meet the deadline. But he said: "Since we're talking about a conclusion, we would need the Americans to make efforts too. if people on the US side are engaged on other matters and haven't the time, that will not

The Japanese leader added:

ship between the US and Japan to be undermined by these issues." But he found it hard to see how the disputes would end. He and his advisers had been surprised by Mr Chinton's proposal for a deadline, he

Mr Yoshihiro Sakamoto, vice-minister of Japan's Minis-try of International Trade and industry and its chief negotiator in the semiconductor talks, reinforced the hard line by saying it was "inconceivable" that his government would sign another bilateral chip trade agreement with the US.

Washington is pressing Japan to renew a five-year-old semiconductor trade agreement which expires at the end of this month. Japan objects that the existing accord amounts to managed trade, because it contains numerical targets for foreign chip producers' sales and market share in

Though the US says it only

accord, without explicit tates gets. Mr Sakamoto said it was still seeking to put a floor under foreign chip makers share of the Japanese market. currently about 30 per cent. He said another bijateral agreement would simply give the US a pretext to thr unilateral trade sanctions against Japan. Tokyo was only interested in discussing its proposal for multilateral co-operathe main chip-producing countries and involve only a small role for governments.

Mr Sakamoto said Japan was prepared to include the European Union in such an arrangement even if it did not meet Japanese and US demands that it abolish its semiconductor tariffs, the high-est in the industrial world. However, Mr Hashimoth said the EU must scrap its tariffa first, because they made international competition in the

# Tariff plea to aid poor countries' exports

Mr Renato Ruggiero, head of fund. the World Trade Organisation, has called on industrialised nations and advanced developing economies to commit themselves this year to scrapping tariffs on many exports from the world's poorest countries. Mr Ruggiero said after meeting leaders of the Group of Seven richest economies in Lyons at the weekend that he

was optimistic that there was

"a solid basis" for progress on the proposal at the WTO's min-

isterial conference in Singapore in December. The plan aims to put flesh on a call by the G7 leaders for a "global partnership" to help poor countries and integrate them with the world economy. It was discussed at a special meeting in Lyons also attended

Nations the World Bank and the International Monetary

The summit called on the institutions and the WTO to co-operate closely to relieve poverty and assist the development of poor countries by increasing the effectiveness of aid, improving education and training, encouraging sound economic policies and promoting restructuring.

Mr Ruggiero said the G7 leaders had agreed that debt relief and improved access to rich countries' markets should be the two main pillars for

But although the European Union broadly supports Mr Ruggiero's proposal, it still has to overcome uncertainties and practical obstacles. One of the biggest challenges will be to reach agreement on the types

should be removed. The 48 least developed coun-

tries account for less than one per cent of world exports. However, many of these are in sensitive sectors, such as textiles. where the US, in particular, is under strong pressure from domestic producers to keep tariffs high. A way must still be found to

square the scheme with WTO

rules, which normally forbid tariffs that discriminate between countries. There is also disagreement about whether it should apply to all the least developed countries, or only to African economies. On Saturday Mr James Wolfensohn, the president of the World Bank, welcomed the G7's backing for the poor comtry debt relief initiative which the bank is assembling with the International Monetary

Fund. This aims to reduce the debts of up to 20 poor countries to "sustainable" levels.

The G7 leaders said the bank should commit around \$2bn to the initiative. Mr Wolfensohn said he had proposed allocating "amounts more than sufficient to cover a proportionate share of the costs", but the bank's contribution depended on an acceptable sharing of the financial burden with other multilateral creditors and individual

The G7 also urged the so-called "Paris Club" of creditor governments to go beyond the 67 per cent debt relief agreed at the Naples summit in 1994, as its contribution to the initiative. No target was set for the Paris Club, which will discuss its contribution later this The biggest hurdle to the ini-

tiative is funding the IMF's

G7 backed putting the IMF's "enhanced structural adjustment facility" on a permanent footing and then making the loans available under it more concessionary. The UK has proposed giving countries longer to pay the loans back, but some IMF officials favour giv-

ing grants to help borrowers with their repayments. The US and UK emerged from the summit confident that the IMF contribution would be paid for in part by selling and reinvesting around \$2bn of the IMF's \$40bn gold reserves. Germany remains opposed to this option, but it probably no longer has the 15 per cent support it needs to block gold sales in the DMF board. IMF officials want to press the issue this month and believe Germany may abstain

# Dinner à quatre caps summit for perfect host

By David Buchan

French President Jacques Chirac used his role as host of the Group of Seven summit in Lyons to get what he wanted a recognition of the risks as well as rewards of world economic integration, a push for development aid and firmness on Bosnia – without unsetting his guests' other priorities. Judging from Mr Chirac's

mbastic performance at his first G7 appearance a year ago in Halifax, Canada, few could have forecast the French president would bring off this balancing act in Lyons.

But he moved advoitly to accommodate President Bill Clinton's desire for a swift summit condemnation of terrorism in the wake of the nbing at Dhahran in Saudi Arabia, which the French president is due to visit this week. Mr Chirac made terrorism the main issue at the opening dinner, made a joint public

Clinton, conspired to pretend that a 40-point action programme already prepared by the G7 on organised crime also applied to terrorism, and promised to organise a G7 anti-terrorist conference in Paris later this month. If Chancellor Helmut Kohl

of Germany seemed a bit disgrantled at being alone in his opposition to International onetary Fund gold sales to help developing countries. it was not Mr Chirac's doing. The French president left it to others to point out that Germany would now probably be outvoted in the IMF on the issue and that some gold

would be sold. The second half of the Lyons summit produced two innova-

For the first time, Russia in the person of Mr Victor Chernomyrdin, the prime minister. joined the G7 to discuss global political problems, not just finessed any implications this might have for the delicate question of enlarging the G7 by dubbing the second half of the gathering the P8 (for political group of eight).

Mr Chirac also catered for

the US president's electoral constraints. He declined to arrange any ambush of Mr Chinton on US trade legislation or on US opposition to Mr Boutros Boutros Ghali's reelection as United Nations secretary general, though on both issues the US was in a minority of one.

To have done so would, of course, have marred the Chiracs' invitation to the Clintons to join them for dinner in the Place des Vosges in Paris o Saturday night. That went off well and a ser than a G7 wrap-up c. acert in Lyons where Johnny Hallyday, France's Elvis Presley, failed to show up because of a row

# **NEWS: INTERNATIONAL**

# Indian stance may block nuclear pact

Mr Kumar Gujral, India's foreign minister, confirmed at the weekend that India did not intend to sign a global treaty outlawing nuclear tests, saying his country would retain the nuclear option as long as the official nuclear powers failed

His remarks followed the failure of negotiators in Geneva to conclude a test ban treaty on Friday, after they reached an impasse on how to bring the accord into force.

Instead, Mr Jaap Ramaker, the Dutch diplomat chairing the UN-sponsored talks, has given the 61 countries taking part a compromise draft treaty text and asked negotiators to return on July 29 with their governments' verdicts.

Later, at their summit in Lyons, the Group of Seven industrialised nations plus Russia urged completion of the test ban treaty by September, when it is due to be signed at the UN general assembly. The US, Russia, France and Britain, which with China make up the five declared nuclear powers, also pledged the "utmost restraint" on nuclear tests until the treaty came into force. The four nations are already observing a moratorium on testing. China has said it will suspend testing

raised fears that the pact may never be operational. Britain, Russia, China and Pakistan have insisted that it should be ratified by the five official nuclear weapons states plus India, Pakistan and Israel, which are on the threshold of becoming nuclear status.

Other countries would have preferred a more flexible formula that would allow the treaty to come into force even without India, But Mr Ramaker's final draft requires all 44 states with nuclear installations, who are also members of the UN disarmament confer-

If the treaty is not in force after three years countries can call a review conference to discuss what to do next. But the conference would not itself have the right to waive the ratification conditions. It remains unclear whether this formula is acceptable to

India, which had earlier threatened to veto the pact alto-gether if it included a requirement for New Delhi to ratify. Another unresolved issue concerns provisions for on-site day it would ask for changes in the proposed regime, which would allow inspections to be approved by a simple majority of the treaty's executive coun-

Editorial comment, Page 15

# Inkatha routed in KwaZulu polls

By Mark Ashurst In Johannesburg

The African National Congress has won control of all the met-ropolitan councils of KwaZuiu Natal, routing the rival Inkatha Freedom party in the industrial heartland of South Africa's troubled province.
Inkatha's support among urban voters collapsed in last

week's local government election, as whites who backed the party during the national allrace election of April 1994 shifted their support back to

New guerrillas

appear from

Mexico's hills

A new, self-styled guerrilla group has appeared in western Mexico, calling for the violent overthrow of President Ernesto

Zedillo's government and staging a brief skirmish with police before disappearing into the mountains north of Acapulco.

About 70 masked men and women,

dressed in green fatigues and armed with AK-47 rifles, marched into the small ham-

let of Aguas Blancas in the state of Guer-

rero on Friday, where peasant organisa-tions and the leftwing Revolutionary

Democratic party (PRD) were holding a ceremony in memory of 17 peasants killed

by police a year ago.

The group, calling itself the Popular

Revolutionary Army, fired shots into the

air, laid a wreath at the site of the massa-

cre, read a manifesto calling for the over-

throw of Mexico's "anti-democratic and

illegitimate government", and were gone.

Later that night, the guerrillas set

the white-dominated National party and the ANC made gains among other minority groups. The ANC has won control of

the province's 13 town councils, with a combined annual budget of more than R5bn (\$1.1bn). Although Inkatha is likely to win most of the rural local councils, representing more than half the electorate, their share of the coffers will be less than R100m.

The ANC's command of the economic hub of the province will change the focus of party politics in a region which has claimed more than 10,000 lives in political violence over the last decade. This follows hopes of a fall in the death toll, in the wake of elections last week. Its control of Pietermaritz-

burg, Durban and Richard's Bay, cities along the "development corridor" from Johannesburg to the Mozambican har-bour capital of Maputo, is a powerful incentive for rapid development before the national election in 1999.

Final results from rural areas are expected early this week, but the ANC's gains will

province it has dominated for almost 20 years. They are a clear setback for Inkatha's attempts to broaden its tradi-tional constituency of rural. Zulus and tribal chiefs, who command 20 per cent of the seats on the province's seven regional councils.

Inkatha won 51 per cent of the vote in KwaZulu Natal in April 1994. But its divided administration, a coalition between the ANC and Inkatha modelled on the national government, has achieved little.



Rebel soldiers escort Zapatista guerrilla leader Subcomandante Marcos to a meeting on Indian rights at the weekend

clashed briefly with police.

The government in Mexico City sought to play down the significance of the first armed group to announce its existence since the Zapatista uprising shook the country in early 1994. The government said it regarded the incident as a violation

of the country's firearms laws, rather than

as a political problem. Nevertheless, there have been persistent reports of the formation of armed guerrilla groups in Guerrero - a state racked by land conflicts and the violence of drug

INTERNATIONAL NEWS DIGEST

# Gazprom may quit gas group

Gazprom, Russia's largest company, is expected to withdraw from an international consortium trying to develop the giant Karachaganak natural gas field in Kazakhstan. The company, which discovered the field during the Soviet era, will be replaced by Lukoil, the largest Russian integrated oil company, which is involved in most of the big oil and gas

projects being planned in the Caspian Sea area. Gazprom has a 15 per cent share in the consortium, which

has the exclusive right to negotiate a production-sharing contract with the Almaty government.

British Gas and Agip, the two western companies in the Karachaganak consortium, brought in Gazprom in an attempt to find a way to export Karachaganak gas through the Russian national gas grid. But Gazprom is understood to have been preoccupied with other projects, and has paid little attention to development of the field. In addition, it has not paid its share of maintenance costs.

# More Argentines out of work

Argentina's governing Peronist party was wounded on its most sensitive flank when official figures, published on the eve of Buenos Aires elections yesterday, showed the jobless rate had risen to 17.1 per cent from 16.4 per cent a year ago. Unemployment, which tripled from 6 per cent in 1991 to 18.4. per cent a year ago, is the number one concern of Argentines with 2.12m now out of work.

The negative impact of the news was compounded by a public relations fiasco in which the government late last week public relations hasco in which the government late last week mistakenly announced that the rate had fallen to 16 per cent. President Carlos Menem, who has promised to pulverise memployment, said it was his administration's most serious problem.

David Pilling, Buenos Aira David Pilling, Buenos Aires

# Israeli budget cuts planned

Israel's minister of finance, Mr Dan Meridor, yesterday said Israel must implement deep budget cuts and carry out structural economic reforms. He told ministers that cutting the Shk5.5bn (\$1.7bn) budget deficit was vital to maintain growth and keep unemployment low. Mr Meridor warned that without austerity measures the government would face difficulties in borrowing money on the world markets once

\$100n in US loan guarantees run out in 1998.

He also urged fellow ministers - some of whom belong to special-interest coalition parties - to show "collective responsibility" for the government's economic success. Austerity measures are likely to include a cut in government, grants to foreign investors, currently up to 34 per cent of the investment, officials said.

Yaraslav Trofinon, Januaria

# Curbs for callback services

In an apparent setback to efforts to liberalise global telecoms markets, the International Telecommunication Union his adopted a resolution making it easier for member states to block "callback" services that compete with high-priors public

telecoms monopolies. The resolution commits all 185 ITU members to "eliminate unauthorised practices" if they infringe the national law of other member states. Some 25 countries ban or other will restrict callback services, including China, Egypt, Kenya and Malaysia. Portugal is also on the list.

Callback services, run from low-tariff countries such as 1 US, allow customers to call an overseas number which re: \_ns their call automatically. Calls are then placed through an operator, allowing customers to make large savings on international phone bills. Frances Williams General

# Arizona reaches for the sky with media deal

By Christopher Parkes in Los Angeles

Arizona's ambitions to capture a slice of the fast growing US electronic media industry have been boosted by American Sky Broadcasting's decision to build its terrestrial hub close to the

state capital. Phoenix. ASkyB, which combines the forces of the MCI telecommunications group and Mr Rupert Murdoch's News Corporation, is an aggressive, deeppocketed newcomer to US satellite broadcasting, currently rated as the

lastest growing media business in the

country. Industry revenues are expec-

ted to exceed \$70n by the turn of the The decision gives Arizona its first significant stake in the national media bonanza started by last year's telecoms deregulation and is expected to enhance its appeal to ancillary

businesses in programme production and other services. Building will start almost immediately on a 40-acre site in Gilbert, 15

ASkyB, which plans 300 channels

of standard television fare, plus

multi-media services such as telecon-

miles from Phoenix.

ties, is due to go on air in August

The new facility will be the largest and most sophisticated television broadcast facility ever built anywhere in the world," ASkyB executives

ferencing for business and universi-

MCI and News Corp paid more than \$600m in January for the last remaining nationwide satellite broadcasting licence and plan to invest a further \$1hn on developing ASkyB services. The site decision was announced on Friday minutes after emergency legis-lation which adds some 57m to the package of incentives and tax breaks on offer was signed into law. The legislation, which includes

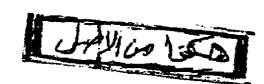
extending tax concessions on conventional manufacturing plant to elec-tronic equipment, was rushed through the state assembly at the partners' request following comparisons with incentives offered by other potential sites in Colorado and

Although the companies have announced no firm plans, lobbyists pushing for the tax changes suggested they might invest a further \$100m on the site to provide in-house

programming and other facilities. News Corp's film division, 20th Century Fox, is already established in Arizona and has recently moved into a new animation studio in Phoenix, which the company describes as a \$100m commitment. Independent investors are currently

scouting for sites and backers to build a full-service TV and film sound-stage complex - Arizona's first

This will further increase the state's attractions for programme makers from California in particular, where Hollywood's studios are booked solid





# Today 3M Launches Lation.

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empany with a lot of big

ideas. A company that

sthe way you do. See us

bp://www.imation.com.

# Three indices for Singapore

Singapore's stock exchange is to launch three indices today. Including one grouping the shares of foreign companies listed on the exchange. The indices are intended to provide a benchmark by which investors and fund managers may asso portfolio performances. The Stock Exchange of Singapore hopes the move will bring greater liquidity to the market.

The three indices are the SES Foreign Index, the SES Electronics Index and the SES Mainboard Index. The stocks in each index will be weighted according to their market prices and will have January 2, 1996 as their base date.

The foreign index, composed of 23 companies from the 37 foreign-currency stocks listed on the exchange, include mpanies such as Acer Computer International, Hongkong Land Holdings, Jardine Matheson Holdings and Mandarin Oriental International. The exchange used the size. profitability and share turnover of companies to decide which should be included.

The new electronics index groups 29 companies in the electronics industry and the SES Mainboard Index comprises all shares currently quoted on the SES All-Singapore Index and the SES Foreign Index. James Kynge, Kuala Lumpur

# GE seeks plastics plant site

General Electric of the US is scouring south-east Asia for a site for a \$700m petrochemical and plastics plant, expected to be the biggest of its kind in the region. Thailand, Indonesia, Singapore and Malaysia are all in the running for the investment, GE said. The plant would bring an additional \$200m of investment from feedstock suppliers. It would produce 65,000-180,000 tonnes a year of high quality

polycarbonate plastics, with motor manufacturers envisioned as big customers. Thai officials believe they have an advantage over other countries because of recent decisions by General Motors and Ford, both of the US, to locate Asian manufacturing bases in

Thailand. However GE officials said although these companies were considered major buyers, the plant could be located anywhere in the region because the products were light, easy to transport and tariffs on car parts were falling.

Because of this, up to 90 per cent of the plant's output could be exported. In addition, much of the cost of the manufacturing process would be design undertaken in the US or Japan, and would therefore unlikely to be subject to

### S Korean car strike to end

Union workers at Kia Motors, South Korea's second biggest carmaker, yesterday said they expected to end a two-week long strike today. Workers will vote this morning. But most of them seem to be in favour of ending the strike since management has accepted most of what the union wanted," a

The company earlier agreed to a pay rise of slightly more than 10 per cent, but the union was holding out for compensation over pay lost during the strike. Manag accepted the union's demand for Won300,000 (\$370) per worker in compensation in the final minutes of negotiations on Saturday. Kia also agreed to reduce the working week to 41 hours from 42 and give workers the right to stop production lines in cases of emergency.

Workers at Daewoo Motors, a unit of Daewoo Group, have said they will go on partial strike today.

# China to study further convertibility move

By Tony Walker in Beijing

China will begin to study making its currency convertible on the capital account following the phasing in of current account convertibility this year, said Mr Xu Bin, deputy head of the State Administration of Exchange Control (SAEC).

However, the move would require careful investigation, and it would "take some time" for full convertibility to be achieved, he said. Mr Xu was outlining China's

some time. plans to begin extending

throughout the country from account involves transactions today an experimental scheme which allows foreign-funded enterprises to buy and sell foreign exchange in the banks. Previously these enterprises were obliged to use govern-ment-sponsored "swap cen-

China has pledged to achieve current account convertibility by the end of this year and thus comply with Article 8 of the International Monetary Fund. The fund has been pressing Beijing on the issue for

Convertibility on the current

such as payments for trade, repatriation of profits, and payments and receipts for services such as shipping and insurance. The capital account comprises long-term capital flows such as investment

Mr Xu said steps towards making the Chinese yuan a freely tradable currency internationally would be "related to the extent of control over the capital account". It would be one of the important questions for the forthcoming study. Under the new regulations foreign-funded enterprises

would be allowed to open accounts at authorised banks to buy and sell foreign exchange. The SAEC would place a ceiling on the amount that could be held in these special settlement accounts, but Mr Xn said the ceilings would

be "reasonable." China wanted to move towards current account convertibility "to create a good environment for foreign investors", Mr Xu said. This was a commitment made by Beijing at the Asia Pacific Economic Co-operation Forum summit in

Steps towards convertibility had been "carefully and com-prehensively studied".

China was confident that with foreign exchange reserves at record levels and inflation being brought under control the "time was ripe" to move to current account convertibility. China's problems with unpaid debts by state enterprises, including the so-called "triangular debt problem".

appear more serious than previously acknowledged by the authorities.

The official Business Weekly reported yesterday that total

debts of industrial companies reached Yn905bn (\$97bn) at the end of 1995. Of this amount Yn400bn would not be re

The paper also gave details of a continuing build-up of inventories which, according to China's national accounts. are equivalent to 5 per cent of

gross domestic product.
At the end of 1995 inventories had reached Yn459.8bn. Yn85bn higher than a year ear-lier. Business Weekly reported that 20 per cent of state companies' total inventories at the end of 1995 was unsaleable.

# Barometers to measure HK's climate

Corruption and spending are among pointers to watch when China regains control

ptimists and doom merchants are divided over the extent of Hong Kong's transformation under its shift from capitalist to communist sovereignty a year from today. One way of tracking changes is to establish benchmarks. Ten pointers which could be checked in the vears to come are: The lines on Mr Tony

Kwok's corruption chart. Mr Kwok, head of operations at Hong Kong's Independent Commission Against Corruption, keeps a careful track of corruption reports. Last year there were 3,232, down 10 per cent on 1994. But there are fears of more graft after the handover and failure to pursue cases may lead to a reduction in reports. A useful barometer could be the number of prosecutions (443 in 1995).

 Expenditure on consumer durables, jewellery, and Rolls-Royces. Consumption is one of the motors of the Hong Kong economy, but as a measure of the impact of the change in sovereignty its usefulness is limited by other variables. The 1995 benchmarks are HK\$22bn (US\$2.8bn) on consumer durables, excluding cars, and HK\$30.4bn on jewellery, watches and clocks. Rolls-Royces are not just feel-good items; they are British, and hence a pointer to any post-colonial reaction. Last year 61 were sold, after 83 in 1994. With a total of 1,400, Hong Kong tops the world league for Rolls-Royces per capita.

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The number of foreign banks. At present, Hong Kong is home to 154 foreign banks, underlining its position as the region's main international financial centre. They are drawn to the territory by business opportunities, good infrastructure, commercial transparency and the rule of law. Benchmarking would need to take account of consolidation in world banking and broader economic conditions. A rise would show satisfaction with the business environment and

ties. But a decrease, or a shift to other regional centres such as Singapore, would send a worrying signal.

 The whereabouts of Mr Martin Lee. Mr Lee, leader of the Democratic party, largest group in Hong Kong's elected Legislative Council, is at the centre of the storm over Beijing's plans to scrap the leg-islature. The issue is the biggest stumbling block to a smooth transition, prompting concerns that China is not prepared to let Hong Kong people run Hong Kong or to allow political opposition.

Few imagine that Mr Lee ould be invited to take a seat on the provisional legislature promised by Beijing. But a measure of change will be whether he is still to be found active in political life, or whether he has emigrated, been jailed or harassed. The number of churches

Basic Law, the documents governing Hong Kong's handover, uphold freedom of religion. But there is concern about the heavy hand of Beijing since it advised the Lutherans to reconsider holding their world assembly in the territory after 1997. At present, according to

The Joint Declaration and the

the government's annual report, there are 783 Christian churches and chapels, 350 Buddhist and Taoist temples, four mosques, a Hindu temple, a Sikh temple and a Jewish syn-• Emigration. The number of people leaving Hong Kong may provide the most immediate

inter to satisfaction with the post-1997 system. Last year, an estimated 43,000 people emigrated, down from about 62,000 in 1994. An important segment to watch will be those with higher education or degrees.

The markets. Changes in confidence and prospects will

quickly make themselves felt on the financial markets. Yields on two-year Hong Kong exchange fund notes which mature in 1998 are roughly the same as US Treasury bonds with the same maturity. For seven-year debt, Hong Kong paper trades about 80 basis points higher. A widening in the yield gap, given the cur-rency link with the US dollar, would point to investor misgivings. A rupture of the peg would obviously reflect rather more serious concerns if it

stemmed from capital flight.

• Foreigners and Hong
Kong's international character. A common view is that Hong Kong will still be a good place to make money after 1997 but a worse place to live. At the beginning of this year, there were an estimated 415,000

foreigners in the territory. ● Company domiciles. Politi-cal uncertainty has encouraged Hong Kong companies to shift their legal base elsewhere. At present 329, or about 59 per cent of listed companies, are incorporated overseas, usually in Bermuda or the Caymans. • Administration. Maintaining the quality and morale of

the civil service will be a central element of the Hong Kong system. Benchmarks are complicated by broader economic factors, but one measure is the number of applicants and departures. Having peaked at almost 15,000 departures in 1991-92, the outflow totalled about 8,000 last year. Applica-tions for administrative officers climbed from 8,200 in 1994 to 12,400 last year.

A key determinant of morale will be the presence of Mrs Anson Chan, the popular chief secretary, either in her present position or even as chief executive - the post-colonial gover-

> John Ridding and Louise Lucas

# Regrets in closure of newspaper

By John Ridding in Hong Kong

The Eastern Express, one of Hong Kong's three Englishlanguage daily newspapers, is to close after two and a half years of publication.

The move, blamed on commercial difficulties, came at the weekend amid a boardroom reshuffle at the Oriental Press Group, which launched the newspaper.

. Mr Ma Ching-kwan will be replaced as chairman by his brother, Mr Ma Ching-fat. Mr C.K. Ma will remain as an executive director of the company, which he has chaired for

almost 10 years. Oriental Press Group also signalled a truce in the Chinese-language newspaper price war. The price of the Oriental Daily News, one of Hong Kong's best-selling newspa-pers, is to rise HK\$1 to HK\$5 (65 US cents). It had been cut to HK\$2 in a price war that claimed two casualties.

Analysts said the decision to close Eastern Express was little surprise after its struggle to win sales and advertising from the two established English-language newspapers. the South China Morning Post and the Hongkong Standard.

However, some politicians expressed expressed regret. "The more voices there are, the better." said one independent legislator, referring to fears of less press freedom after Hong Kong's return to Chinese sovereignty on July 1

The Eastern Express was launched amid claims it had been encouraged by the Hong Kong government following acquisition of the South China Morning Post by Mr Robert Kuok, a businessman with

Vietnam's rulers concentrate power in new politburo committee

# Old guard keeps hold of reins

Vietnam's ruling unist party prepared for the final session of its fiveyearly congress today, its top official, general secretary Do Muoi, confirmed a policy of gradual economic reform and concentration of power into a new politburo committee with sweeping powers.
Intense back-room horse-

trading was evident last night as the ruling troika - Mr Muoi, president Le Duc Anh and prime minister Vo Van Kiet masterminded the membership of the politburo "standing com-mittee," of which they are key

This new body concentrates considerable power in the hands of its five to seven mem-

makes all key decisions in Vietnam.

tive, military and regional per-

Under new party statutes approved by the congress, it prepares the agenda for the newly elected politburo under it and controls party finances. By the time the congress ands today, the party central committee will have formally selected a 19-member, expan-ded politburo, introducing nine new faces to the body that

The top three apparently see the standing committee as a way to avoid a rapid transfer of

power to a younger generation they do not yet fully trust. Yet Mr Muol, speaking to reporters yesterday in a garden

bers and is likely to contain a adjoining the congress hall, cocktail of reformist, conservawith the younger generation. It had played a larger role in this congress than the previous one

> he was too old to carry on, he said: "This is what the people require. They make me work. How do I look to you? I am 80 years old, I am past the working age. But I think I am still

He also dispelled any notion of faster reform, plotting a steady course that ensured "efficiency" and "stability". "If development is too fast we will make mistakes. If you run too fast and there's something on the road, you will fall," he said. Party cells would be formed

in foreign-invested enterprises

but he played down their role: "Don't be scared of party cells on foreign-invested companies. The most important thing is profit and efficiency," he said. It has been a tough weekend Asked whether he thought for the party. The succession issue has dominated proceed.

ings, marred by the sudde. death two days ago of a politburo member-elect, whose suc-cessor was also to be decided last night.

The congress is the country's most important political event as its sets the seal on policy for the next five years, enshrine months to hammer out.

Yet the intricacles of policy and personality are of little interest to the average Vietnamese. Party membership is

# Bhutto feud with judges worsens

By Farhan Bokhari In Islamabad

feud between the government of Ms Benazir Bhutto, Pakistan's prime minister, and the country's judiclary intensified at the weekend when Ms Bhutto alleged that an unnamed group was trying to use higher courts to remove her govern<u>ment.</u>

Her pointed statement added to anxiety in official circles and fuelled concerns over the political consequences of months of strained relations between the government and the highest courts. Last Wednesday, in an important judgment, the Pakistani Supreme Court restored local municipal authorities in the province of Punjab, which were dishauded in 1993 before completion of their tenure.

The municipal bodies were again disbanded on Thursday, ust a day after the court's

judgment. The provincial rul-ing coalition in the Punjab which is backed by Ms Bhutto's government, passed a bill in the local assembly, overturning the court's decision. In a landmark decision earlier this year, the Supreme Court curbed the freedom of the government to appoint judges to higher courts, and ruled that appointments must be made in consultation with chief justices of the Supreme and high courts. Ms Bhutto

and many of her supporters have criticised the decision. Voting in the province of Kashmir began yesterday fol-lowing an election campaign marred by violence and a call for a boycott. More than 1.6m Kashmirls were registered to

A week ago, political activists from the provincial opposi-tion People's party shot dead seven rivals from the ruling The Financial Times plans to publish a Survey on IMF/World Bank:

World Economy & Finance

on Friday, September 27.

● To coincide with the IMF/World Bank meetings Washington in 1996 • Special distribution to 6000 delegates at the meeting 6 New emerging markets

The FT is judged as the world's most important financia publication worldwide. Source: (NG Bank Survey 95

For further information please contact Hannah Pursail in London on +44 171 873 4167 or Fax + 44 171 873 4295

or Tim Hart in the USA on + 1 212 752 4500 , Uz Vaughan in Hong Kong on +852 2868 2863

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By Krishna Guha in London

The London Stock Exchange will today announce about 350 job losses as part of a fundamental strategy review aiming to cut costs by a third and cope with increasing international competition.

The exchange will suffer a fall in income with the introduction of Crest, the paperless leaner stock exchange, better trading system, which will cost able to compete for interna-

faced calls in recent months for radical reform following turmoil over proposals to intro-duce: order-driven share deal-

Today's review, led by strategy and finance director Ms Fields Wicker-Miurin and endorsed by the board last Thursday, is intended to stave off criticism by creating a

will fall steadily as members switch to Crest, owned independently by 60 financial bodies, from July 15. However, income will eventually stabilise at about £130m (\$200m)

down from £196m last year. Talisman, the old settlement system, will continue alongside Crest until April next year, but cease to be profitable around the end of 1996. To bring costs it about £87m in lost fees for tional listings with bourses in in line with lower income, the settlement services, it has also Frankfurt and Paris. The exchange plans to cut about

report will say that revenue 100 further jobs in addition to

That will bring the total number of staff down to about 600 from 940 at present. This is the latest in a series of retrenchments, which have seen the number of staff fall from almost 2,000 in 1992.

The stock exchange conducted more than 500 interviews with members and customers in the course of the year-long review. It considered

the 250 which will go when sion to abolishing the Talisman is replaced. should focus on its core competences and cut costs to provide value for its members.

Expansion into new markets is believed to have been ruled out for the present, on the grounds that it would be too expensive, and the exchange would face tough competition

don - reinforcing its position as the leading stock market within the European time

Benchmark comparisons against rival bourses, contained in the report, show that the London Stock Exchange generates about the same income per capita as New

from existing providers.

But the exchange hopes that lower costs will encourage for-

# Goldsmith aims to be Britain's answer to Perot

Politics is too serious to be left to politicians, the billionaire Referendum party leader tells supporters

By George Parker

How seriously should Sir ment" with MPs from other James Goldsmith and his Ref. parties, during the eight-week erendum party be taken? Last week in Newcastle upon Tyne, blue eyes blazing, the Angio-French tycoon began to

answer the question.

Delivering his maiden speech as founder and leader of the UK's newest political party. Sir James made clear he meant business, that the Referendum party would contest the coming British general election, and would relish the opportunity to eject the Conservatives from office.

Scanning the wide open spaces of City Hall - about 400 people had gathered in the 2,500-seat auditorium - he set out the party's lemming-like to emerge from his speech is mission statement: secure a that Sir James is intent on referendum on Britain's future in Europe, and then dissolve.

Until Thursday it was not entirely clear whether Sir James was bluffing, whether he might decide to pack up once his threats had succeeded in persuading Mr John Major, the prime minister, to take his party off down a more Eurosceptic road.

In Newcastle he made it clear that he is not going away. Not only is Sir James planning politics is too serious a to fight the election, he even to be left to politicians."

War techniques

may aid traders

set out a post-election strategy, where Referendum party MPs would form a "national govern-

parties, during the eight-week passage of a Referendum bill. This is the second thing that Thursday night told us about Sir James. His passionate anti-European Union rhetoric has struck a chord with the public and he is capable of persuading sensible people to think his party might actually win seats at the next election.

Mr John Hanson, who owns a Bradford clothing company, said: "There is nobody around here with the power to do anything about the way Europe is developing - he has got the money, organisation and ability to do something about it." The third important theme

exploiting the national resentment felt towards politicians generally. He aims to be Britain's answer to Mr Ross

"I was a greengrocer and proud of it," he said. "What is more, I believe that greengrocers, along with other small businessmen, have a great deal more sense than politicians." To the biggest cheer of the evening, he added: "Perhaps politics is too serious a matter

He was on home territory, speaking to a meeting organ-ised by the Federation of Small Businesses in a city where he started to make his fortune as proprietor of Moore's Stores. But the anti-politics message could find a much wider audi-

ence in the country. The Conservatives are certainly worried, with one inter-nal estimate - subsequently rubbished by Central Office putting the number of Tory seats at risk from the Goldsmith challenge at 20, if Referendum candidates cream off

Publicly, the Conservatives are dismissive. "We don't think there is an appeal out there for a foreign billionaire standing on a single-issue platform," a Central Office official said yes-

There are still questions which remain unanswered after Sir James's debut in Newcastle. For example, just what is the underlying popular support for a party whose sole aim is to have a referendum on an issue – Europe – which hardly whets the public's political

The Referendum party has promised not to contest any by-elections, so we shall have to rely on opinion polls to track its progress. And will Sir James be able to cope with real political pressure in the heat of an election campaign? In Newcastle he spoke with

conviction, and dealt with subsequent questions with ease. but he was surrounded by a friendly audience. One woman prefaced her question with the words: "It is a great honour to hear you speak Sir James. You are a wonderful man."

Under hostile questioning from Mr Jonathan Dimbleby in a television interview in Anril Sir James presented a snarling and short-tempered figure. Politicians know such displays of anger are voter-unfriendly.

Sir James has vowed to put \$20m (\$30.6m) into the campaign – 10 times more than the Liberal Democrats at the last election and in the same league as the Tories. Thirty, staff are installed in offices near Westminster and prospective candidates are said to be

With the rival UK Independence party promising to field about 600 candidates at the election and pledged to pull Britain out of the EU, voters will not be short of outlets for anti-European sentiment. As Labour chisels away at

soft Tory voters on the left, the Conservatives can ill afford to lose voters on the hard right. The Tories at least are taking Sir James seriously.



Sir James Goldsmith seeking support: "I believe that small businessmen have a great deal more sense than politicians"

# Phone links boost cable revenues

in City of London By George Graham, Banking Correspondent

Pinancial market traders often feel that they work in the equivalent of a war zone. Now Ministry of Defence scientists are teaming up with the BZW investment bank and the London Stock Exchange to try to adapt some of the virtual reality displays and computer models they have developed for the battlefield to be used in bank

trading rooms. The Financial Laboratory Club, led by the ministry's Defence Evaluation and Research Agency (Dera), has won a government grant for up to £750,000 (\$1.15bn) to develop risk management techniques for markets such as foreign exchange, equities and deriva-

"The Financial Laboratory is combining technology developed for defence with leading edge financial risk management techniques," said Mr Michael Mainelli, corporate development director for Dera, who believes that war zones and capital markets can often display great similarities. Mr Martin Dooney, head of global money markets at BZW, said the club would explore the development of new visual displays to simplify the vast amount of numbers that traders and risk managers must absorb from their dealing

"One of the problems we have in the trading room is that not everybody is sufficiently gifted to be able to interpret reams of data in tabular form," he said.

Using a Cray T3D supercomputer, Dera hopes to build on its experience in areas such as battlefield threat avoidance models, which help the military to react to enemy movements. By moving into three dimensions, such models could display large numbers of com-plex financial variables at the same time.

The Financial Laboratory includes Sun Alliance, Silicon Graphics, City University Business School, the Worshipful Company of Information Tech-nologists and the risk manageBy Raymond Snoddy in London

ing revenues at the rate of £15n (\$1.58bn) a year. It believes that this year it will overtake the revenues of British Sky Broadcasting, the satellite broadcasting company in which Mr Rupert Murdoch's media empire has a big stake. The claim that it is about to overtake BSkyB is based on estimates that the satellite company's revenues will total £950m this year, although BSkyB could easily exceed

forecasts. The biggest boost to

cable, the Cable Television Communications Association will say, is coming from cable The cable industry will telecommunications services announce today that it is earn- operated in competition with British Telecommunications the former state utility.

Telephone revenues now total more than 50 per cent of cable revenues, and new lines are being installed at the rate of 61,000 a month. The present total of 1.5m is expected to reach 2m by the end of the year. But that will still amount to less than 10 per cent of the total number of telephone homes in the UK.

BT has been stung by the gradual erosion of its base. It suade customers lost to cable to return to BT. Last week the Winback team

were accused of calling ex-di-rectory cable numbers as part of their campaign. Oftel, the telephone regulatory body launched an investigation after it received complaints involving 46 customers.
They fall within several

cable companies' franchise areas and across a number of regions," Oftel said at the weekend. "The activity therefore appears to be national in scope." BT is seeking details of the incidents, including how

has set up a controversial the numbers were obtained "Winback" team to try to per- and how they were used. BT is due to report its findings to Oftel today. The Cable Communications

Association says that 10m homes will be capable of receiving cable telephone services by the end of 1997. In some areas cable compa-

nies claim to offer telephone services costing an average of 25 per cent less than BT's standard charges. Because of the number of special BT offers, the actual differential is smaller.

Overall, 30.6 per cent of homes in cable areas subscribe to at least one cable service.

# AT&T steps up competition today

Competition for the business of Britain's high spending residential telephone users intensifies today with a rash of price cuts from established operators and the first move in the UK residential market by AT&T of

The new prices will cut the costs of some international calls by up to 40 per cent, but selecting the best value from the services available may

me customers.

AT&T, the biggest US opera-tor, will announce a calling service for residential customers which, it syas, will offer savings on long-distance and international calls of between 10 per cent and 40 per cent on British Telecommunication's basic rates.

Customers who sign up to the service will be able to dial a three-figure code for access to AT&T's global network. It is

prove a source of confusion for the first in a series of services AT&T plans for the UK residential market. The company already offers a range of services to business customers.

Mercury Communications, the second biggest UK operator, plans to reward subscribers to its residential service with "free minutes", ranging from 15 minutes to two hours depending on the amount they spend each month. It has also cut its economy call prices to all international destinations.

Savings of up to 32 per cent on BT basic rates are possible, Mercury says. The new prices represent a significant change approach for Mercury, which has traditionally concentrated on the husiness mar-

Bell Cablemedia, one of the leading UK cable operators, is cutting its prices for all residential telephone calls by amounts which should give savings of 25 per cent on BT's

# **Anti-terrorism** measures urged

The British government will this month call on fellow members of the G7 group of rich nations to adopt a package of measures to fight terrorism. In the wake of Friday's bombing of the British Army barracks at Osnabruck, Germany, which followed the bomb that killed 19 US servicemen in Saudi Arabia, ministers believe there is "an impetus...to improve our international arrangements".

Mr Michael Howard, home secretary, said yesterday he was preparing proposals to improve co-operation on extradition, to exclude from refugee status anyone associated with terrorism and to build intelligence on terrorists. "The British govern-ment will be putting forward a series of proposals there for making extradition more effective between countries, for excluding from consideration for refugee status those who plan, incite or finance terrorism, and for improving the arrangements under which different countries can learn from

each other," Mr Howard told BBC Television.

The bombing on Friday – the first IRA action in mainland Europe for six years – was also savaged by Mr John Bruton. the Irish prime minister, for being "utterly pointless and self-defeating". "You will never unite people in any way by fighting, or by promoting fighting," he said. "That's something a six-year-old child understands, but unfortunately, the people who are pursuing this tactic don't understand." Neither the Irish government, nor the IIK government would be intimi-Irish government nor the UK government would be intimidated by the bombings. Mr Bruton said, arguing that the continued terrorist campaign was undermining good will 

### N Ireland march barred

Police yesterday prevented an Orange Order parade going through a nationalist district in Belfast, the capital of Northern Ireland. Police Land Rovers blocked the Ormeau Road bridge where a religious service was held to mark the 80th anniversary of the Battle of the Somme. Members of the fiercely Protestant order wanted to parade to the city centre, but security chiefs feared violence if the small gathering was allowed to cross the bridge into a Roman Catholic area. More parades are planned before the main Orange celebrations on July 12.

# Spending rise foreseen

Pre-election interest rate cuts by Mr Kenneth Clarke, the chancellor of the exchequer, will trigger the biggest rise in consumer spending for almost a decade, a group of economists says today. Forecasts by the Ernst and Young Item Club, which uses the Treasury's model of the economy, says consumer spending will increase by 4 per cent in 1997, up from 2.7 per cent this year. The driving forces will be pre-election tax cuts of 2 percentage points and modestly rising house prices. But the economists warn that interest rates may have to rise

to 7 per cent late next year to stop inflation rising above 4 per cent in 1999. They also say public borrowing may remain high enough to prompt tax increases in 1998 or 1999. They argue that the economic requirements of entry into the European Monetary Union in 1999 would force taxes to rise by the equivalent of 4 pence in the pound on the basic rate of income tax. That in turn would lead to weaker growth over the next three years than in the group's main forecast.

Daniel Green, London

# Plea on beer duty

A 20 per cent cut in beer duty would more than pay for itself through increased economic activity and other tax revenues, brewers and pub owners have told the Treasury in a pre-Budget submission. Using the Treasury's economic model, consultants to the Brewers and Licensed Retailers Association showed that a net increase in tax revear after a duty cut.

The exercise assumed that lower duty would increase been consumption by only 2 per cent, but that other economic benefits would flow, ranging from a reduction in the drinks component of the retail price index to increased VAT receipts. "The pub is a remarkably efficient generator of tax revenues with only one-fifth of its contribution to the Exchequer coming from beer duty," the BLRA said.

Duty is currently 31p a pint on 5 per cent alcohol beers such as premium lagers. With the French equivalent at only 4.5p, the flow of duty-paid imports is rising. It already accounted for about 4 per cent of the UK beer market, the BLRA said. The only way to stem imports was to cut UK duty in stages of say 20 per cent, allowing overall tax revenues to recover between each cut, it added.

Roderick Oram, Consumer Industries Editor

# Row on defence funds grows

Disarray over the proposed sale of Ministry of Defence married quarters was underlined as ministers gave conflicting accounts of what would be done with the proceeds of the privatisation. Mr James Arbuthnot, a defence minister, said the estimated £1.6bn (\$2.4bn) generated by the controversial sale would not be used to fund tax cuts. His comments seemed at odds with the warning made last week by Mr Michael Portillo, the defence secretary, that backbench opposition to the sale could scupper the possibility of election-winning tax

cuts in the autumn.

The sale of homes used by military personnel last week prompted a protest by 50 MPs, most of them in the government. Conservative party. The issue will gather even greater urgency this week as the cabinet megts to set the level for public spending for 1997-98.

James Harding

# **CONTRACTS & TENDERS**



HUNGARIAN PRIVATISATION AND STATE HOLDING COMPANY

# TENDER INVITATION

The Board of Directors of the Hungarian Privatisation and State Holding Company passed a resolution concerning the sale of state-owned shares in Forum Hotel Co. (Fórum Szálloda Rt.) The nominal value of the shares offered for sale is HUF 4,100 million, which represent 94,91% of the voting rights in the company. These shares will be sold in an exclusive, single-round tender. The following investors have been invited to participate in the tender:

- Intercontinental Corporation
- Daewoo Corporation
- Holiday Inn

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Mostly he writes on the sports pages, where his dissertations on synchronised swimming and rhythmic gymnastics are alone worth the price of the paper, still 25 cents, by the way, and in a Murdoch-less virtual monopoly city. But on Sundays he gets to let his fertile imagination roam free in what is oddly called the Style section - odd because Washington style (usually defined as two lobbyists wolfing down T-bone steaks with designer water and calling it high living) is the ultimate contradiction in terms. Last Sunday saw Kornheiser at

# Blight of media is author manqué

his impertinent best. Anybody who managed risk permanent back damage and to lug the weekend tome up the front steps found a front page above the fold and many more inches inside entirely consumed by extracts from and reporting on Bob Woodward's new book

For those living on Mars or reading the Financial Times, the ex-Watergate reporting sleuth breath lessly disclosed that Hillary Clinton had taken to consulting New Age gurus who had her chatting about this and that to the likes of Eleanor Roosevelt and Mahatma Gandhi, difficult for ordinary people because both happen to be

He also revealed that Liddy Dole, wife of Bob, makes appointments to see her husband, which should do wonders for the probable Republican presidential candidate as he

### DATELINE

Washington DC: Books, rather than newspapers, now examine in . detail the great American policy

issues of the day, writes **Jurek Martin** 

chases the angry white male

Still Bob Woodward is a big local icon. Not to talk to him as he does his research is considered lese-majesté, which explains why Colin

Powell unburdened himself for an earlier book on the Gulf War and is now the un-crowned king of American politics, with a speaking fee worth \$80,000 (252,287) a pop. Tony Kornheiser, though, dared to begin his Sunday column by tweaking the great man.

"As you can see from today's front page, Bob Woodward, the Michael Jordan of American journalism, has another book out. Like Mike, this guy operates on a whole different level from the rest of us. His last book, The Agenda, delivered a detailed autopsy of the Clinton administration, based on hun-dreds of sources and thousands of documents - and reached America's bookstores roughly an hour after the inauguration. This time he has created the first ever history of a presidential campaign BEFORE THE CANDIDATES

Kornheiser admitted to "an occasional fantasy" about being Wood-ward. "He is the best-selling nonfiction writer since Moses. He uses hundred-dollar bills for coasters. He has more people waiting to confess to him than the Pope. Redford played him in the movies (I'd probably get Newman. No, not Paul Newman - Newman the fat schlub on Seinfeld)."

Apart from assuring himself of an interesting future career covering goldfish racing in Dubuque, lowa, Kornheiser makes, by impli-cation, a fair point. It is not enough any more for reporters merely to write for their publications. To make the grade, they must put it all down in hard cover, which may explain why newspapers have so many advertisements for depart-

HAVE EVEN BEEN NOMI- ment store lingerie or are filled with fascinating articles on the problems of citrus growers in

> This is very true of political reporters and particularly the case with journalists on the Washington Post. It is hard to count the number of illustrious Post-men with books out this spring (Broder, Johnson, Dionne, Maraniss, now Woodward, and probably many more besides) each examining in minute detail the great policy issues of the moment. It may be a legitimate defence for the muckety-mucks in the White House to claim they did not know the grunts were improp-erly asking for FBI files if most of their working days and nights were filled with interviews for somebody's book.

This is not to say the books are not good or worthy or anything

else. Washington is, after all, a one industry town with a product capable of denuding several Canadian forests (memo to Mayor Marion Barry; remaindered books might come in useful for pothole-filling). But the capacity of even the greatest devotee of politics to read them all is now severely strained. Exceptions, of course, will always be made for colleagues and close personal friends, two of whom have good ones in the wings.

But the little suspicion persists that those who fork out their 25 cents a day might be getting a little short-changed. That is exactly the complaint heard around the country from those who keep saying the meejah never covers the real issues. Well, they do, but at \$25 a

America's best political reporter, who shall remain nameless, has only written one book many years ago and it was all about his true avocation - eating. In Washington, we merely hope Tony Kornheiser sticks to his newspaper last.

### PEOPLE

# Bradman revisited

The property developer is back, writes **Simon London** 

hile most business people have a single personal assistant, Godfrey Bradman employs five. Business partners are resigned to receiving calls or faxes from his night secretary or weekend secretary.

This extensive support team is required partly because the property developer commits every aspect of every deal to paper, and partly because he has a prodigious capacity for work.

The collapse four years ago of Rosehaugh, the company he chaired, has done nothing to dampen Bradman's appetite for deal-making.
Rosehaugh was behind many of

the biggest property development projects of the 1980s, including Broadgate, the largest City of London building scheme since the Great Fire in 1666.

Although Bradman no longer has the backing of a large public com-pany - at its peak in the late 1980s Rosehaugh had a market value of more than £700m - he is again operating on a grand scale.

While few of his recent schemes have involved the commitment of large sums of money up-front, the financial establishment appears more than willing to provide backing. After all, Rosehaugh was just one of many casualties in the biggest commercial property crash since the second world war.

Since Rosehaugh's demise in 1992, Bradman has assembled land for a large business park outside Berlin, built a new headquarters for the Scottish Office in Edinburgh, and played a central role in assembling land at White City for what prom-

shopping centre in 20 years. He is also one of two shortlisted bidders for a £200m contract to redevelop the Treasury headquarters in Whitehall under the private finance initiative. The other bidder is Mr Stuart Lipton, Bradman's former

development partner. For most property developers the Treasury project alone would be a handful. But Bradman is hunting

At Paddington, for example, he is negotiating to buy a part of a site which could eventually accommodate central London's largest mixed use development, comprising housing, shops and leisure facilities as

well as offices. Godfrey Bradman first came into the public eye in 1974, when he offered to underwrite a pay increase for striking miners in an effort to get them back to work. The initiative catapulted the then unknown 37-year-old tax accountant into the

The Daily Mail described him at the time as "a go-getting banker with a chauffeur-driven marcon Rolls Royce and a sumptuous office". The Sunday Telegraph discovered that he was a director of 120 companies including Swordfish Investments and Kopfree Dealing.

While the miners' union rejected Bradman's offer, the episode demon-strated his rare gift for generating publicity – good and bad. He has used this to good effect by backing causes ranging from the campaign for lead-free petrol (which was ultimately successful) to the anti-abortion movement. Another high-profile intervention involved backing patients claiming compensation for side effects caused by Opren, the anti-arthritis drug.

The son of an east-end shop-keeper, Bradman left school at 15, gained his "O" levels by correspondence course and qualified as an

In the late 1960s and early 1970s amassed a fortune by creating intricate tax planning schemes for One famous scheme involved an attempt to shelter from tax the entire annual profits of George Wimpey, the construction company,

The tax-avoidance industry lost its allure in the late 1970s when the government introduced legislation allowing tax loopholes to be closed retrospectively. By that time, however. Bradman had already started

to accumulate interests in commer-

cial property. In 1978, he effectively reversed his property interests into Rosehaugh, a small tea-trading company which was listed on the stock exchange.

Initially Rosehaugh was little more than a property trader. Its first big development was hatched at the end of 1980, when it acquired two old office buildings in Wilson Street, on the northern fringes of the city. This was the genesis of the Finsbury Avenue development, which is now occupied by SBC Warburg, the investment bank, and was the forerunner of Broadgate.

The Finsbury Avenue scheme was significant in two respects. It marked the first partnership between Bradman's financial skills and Stuart Lipton's development flair. For the next decade this double-act was the most influential force in the UK property market.

Second, the project demonstrated to Bradman the huge returns which could be achieved by assembling complex sites for large developments in locations which traditional property investors regarded as beyond the pale. This same intu-ition has been behind later projects ranging from Broadgate to White City and Paddington.

The White City project demon-strates both the strengths and weaknesses of Bradman's business style. The 37-acre-site lies only three miles from Marble Arch and is well served by road and rail. But ownership was split between BICC, the cables and construction group, Railtrack, the privatised rail company, an era of penal taxation - he a London Underground shunting yard and the Vanderbilt Racquet

> was convinced that the site could accommodate a large shopping and leisure centre. He convinced London Underground and Hammersmith & Fulham Council, the local authority, to back his proposal

> But negotiations with BICC and Railtrack, which favoured a less ambitious scheme, became acrimonious. All sides admit that there were "personality clashes". The



Godfrey Bradman: displays a prodigious capacity for work

deadlock was resolved earlier this year by Mr Elliott Bernerd, chair-man of Chelsfield, the quoted property company, and a noted property

While Bradman retains an intere – and will probe bly profit handsomely from his involvement - Chelsfield has now taken the lead role. The episode has cemented Brad-

man's reputation as brilliant and difficult by turns. While the property market respects his moneymaking ability, Bradman is regarded as something of an out-

One reason is that Bradman is a

shy man, despite his support for high profile causes. He does not fit easily into the atmosphere of bluff bonhomie which pervades most property industry functions. His minute attention to detail and . recora Ke result of formative years in tax, are

also viewed with incomprehension. But four years after the collapse of Rosehaugh there is no doubt that Godfrey Bradman is back in business on a scale almost as ambitious as in the 1980s. Whatever the mainstream property market makes of his negotiating style, they will have to get used once again to dealing

# IN THE NEWS

# Disney's new board member may be a blessing

Coming days after be described as "foolish" the Southern Baptists' call for a sect-wide boycott of Disney products, Walt Disney chairman Michael Eisner's appointment of a leading Jesuit to the group board was guaranteed to make noses

twitch, writes Christopher Parkes. The company, self-appointed keeper of US family values, has been through a bad patch lately -which raised the question of whether trying to keep up with modern tastes put it in danger of discarding its founder's prim endowment. Priest, a film about a gay Catholic clergyman, caused rustlings in the vestry. Kids, a shocker on teenage behaviour, raised eyebrows everywhere. And the disclosure that the director of another Disney group offering was a convicted child molester brought the

finger-pointers out in force.
The latest outcry followed Disney's decision to extend health benefits to gay employees' partners, which prompted the boycott call by the Southern Baptists, the largest protestant group in the US.

The appointment of Leo O'Donovan to the board looked as though it was a response to the protests. But O'Donovan, president of Georgeton University, is better known for the canny business sense he applies to running the world's largest school of international relations than for thit-thumping.

The least O'Donovan will bring to Disney's non-executive board is a little more balance. Although education and Latino interests are ren-

resented, the majority lies with company executives and essential allies such The Irvine Company, the biggest developer in Orange County, home to the Magic Kingdom's sprawling theme park and sports complex interests.

### Auer among hopefuls for top Olivetti PC iob

Last week's ructions in the Olivetti boardroom are bound to have an impact on the Italian company's troublesome personal computer subsidiary, writes Andrew Hill, Corrado Passera, who is poised to step down as the group's chief executive, was also the man appointed to turn round the PC business when it was formed into a separate company in January and had just started to end the operation's losses.

Luckily for Olivetti, there is an obvious candidate to step into his shoes as chairman and chief executive of the PC company.

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Bernhard Auer, the 55-year-old German who took over as sales and marketing chief of the division when he joined Olivetti from Digital Equipment last October, is wellplaced to restore Olivetti's position in PCs. He worked for IBM for 23 years in the US company's German and European marketing and distribution departments, and was a senior European executive with Compaq for three years before joining Digital in 1993.

Auer's first task at Olivetti was to rationalise the sales and marketing network, contracting out distribution to third parties. The company has also closed one factory in Singa-pore and brought PC assembly under one roof at Scarmagno, near the group's Ivrea headquarters

Auer has not yet been named to take over from Passera, but he will be well aware that the top job at the PC company is one of the hottest s at Onvetti. Financiai analysts have focused on the PC business as the root of Olivetti's wider problems, which have seen the group report a net loss for the last five

Carlo De Benedetti, the group chairman and chief executive, has played down the PC subsidiary's impact on the group figures, and is trying to accelerate moves towards the telecoms sector.

# **Peter Norman** · Economics Notebook

# Universities defy the waves

Germany is not acting on President Herzog's "long cycle" warnings

If one thing is certain in a period of rapid economic change, it is that long established relationships become weaker and can decouple. Only last week, the German chambers of industry and commerce warned that the relatively strong 5.5 per cent increase in exports that they were forecasting for this year might not translate into faster economic growth.

Similar concerns have been

expressed in Germany that its relatively high research and development spending may no longer be yielding adequate dividends in terms of economic growth and increased welfare.

As the illustration shows, the latest available figures gathered by the Bonn science ministry place Germany in a respectable fifth position among the European Union and Group of Seven nations in terms of domestic spending on R&D as a percentage of national output. And yet, according to the latest Economic Outlook from the Paris-based Organisation for Economic Co-operation and Development, Germany can expect real growth of only 0.5 per cent this year, the lowest of the countries surveyed.

Germany's present economic problems have many causes, some of which the government is trying to correct through its controversial programme of supply side reforms, spending cuts and welfare restructuring. But the economy's lack of dynamism has led to a critical examination of Germany's strengths and weaknesses in the

field of science and R&D. Mr Herzog, who became president exactly two years ago, is turning out to be a rare national asset.

He exercises to the full those rights R&D expenditure which Walter Bagehot, the 19th century journalist and commenta-tor, recommended for a constitu-

encourage, the right to warn". Her-zog has a talent for telling his fellow citizens unpleasant truths. At a recent dinner hosted by the German federation of industry (BDI), he raised the unappetising prospect that Germany might miss out on a forthcoming "long cycle" of strong economic growth based on information technology.

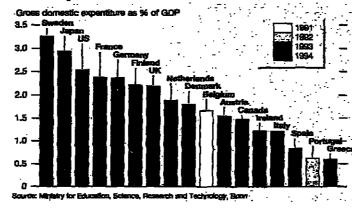
tional monarch, namely: "the right

to be consulted, the right to

Drawing on the theories of Nikolai Kondratieff, the Soviet economist who first propounded the idea of long 50-year "waves" of economic expansion and contraction in the 1920s, Herzog pointed out that Germany had missed out on the first such wave based on the invention of the steam engine in the 18th century. But it had been a technological pioneer in the second, third and fourth waves that followed and had benefited fully from the associated welfare gains.

The second wave was the 19th century railway age, which also saw rapid growth of the metal working, textile and construction sectors. The third wave, early in this century, saw progress based on electricity, telegraphy, the tele-phone and the first generation of automobiles. The fourth, after depression and war, saw rapid economic development based on oil. the aerospace industry, pharmaceu-

ticals and television. Herzog argued that the US appeared now to be entering the boom phase of the fifth long wave based on information technology. How far, he asked, would Germany



participate in this? The president has reason for con-cern. The Deutsche Forschungsgemeinschaft, the central body promoting German research, reported last week that industry has cut its R&D personnel by 38,000 in the

past four years. A recent Bundesbank report found Germany's deficit from cross border trade in technological ser-vices has grown sharply to about DM4bn (£1.7bn) a year from less than DM767m in 1986, the first year that statistics were collected. Such a trend, covering payments

for patents, licenses and work on research and development, engineering and data processing, is not in itself a sign of trouble. The report found that Japan was also a substantial net importer of patents. But, when the Bundesbank's findings are combined with those of a separate report from the Ifo institute of Munich, it looks as if Germany may be losing its technolog-

Ifo's analysis of international patent applications concluded that too many German inventions are in sectors with only modest growth prospects. Taking the period from 1982 to 1992, Ifo found the fastest growing areas for R&D at world level were in information technology, genetics and microelectronics with Germany lagging behind in all three sectors. Yet German patent applications relating to the motor vehicle industry increased while the worldwide trend was stagnant. Patent applications in mechanical engineering declined worldwide during the period, but the decline was less marked in Germany than

These trends, in Ho's view. amounted to a deterioration in Germany's "technological portfolio". Although some, mainly small to medium-sized, companies had developed effective "niche" strategies to keep ahead of the competition, these did little to help keep Germany ahead internationally. Lack of money is not Germany's problem although the country has slipped down the combined EU and G7 ranking of R&D expenditure from third position in 1989.

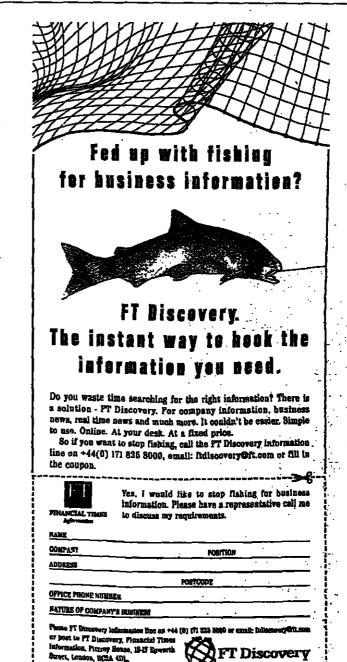
Attention is focussing on the deficiencies of higher education and the crisis in Germany's universitles. Seminars crowded with 600 students, inadequate laboratory space, and a reluctance to teach among professors who have lifetime tenure are facts of German university life.

The consequences include high drop out rates among students and the average seven year period between starting a course and collecting a first degree.

President Herzog's reaction has been to call for "mental innovation". In his view, Germany's ability to participate in the second third and fourth "long waves" of growth was a result of far reaching educational reforms introduced in the early 19th century by Wilhelm von Humboldt, the education minister of Prussia. Herzog says Germany needs a new Humboldt if it is to turn its brain power into new products and economic growth.

We have only to consider the role that education has played in the rapid growth of countries such as South Korea and Singapore to see the merits of Herzog's analysis for Germany and for other mature industrialised countries.

But Germany also shows how difficult it is to implement such ideas. Despite widespread recognition of the problem, there is no fundamental reform of universities in the Bonn government's present programme for jobs and growth





# Gender lines lead to a gold mine

Women are floating into cyberspace in increasing numbers, says Victoria Griffith

ccording to American comedian Jerry Seinfeld. The sexual divide governing the use of television remote controls dates back to prehistoric times. "Women nest and men hunt," he says, trying to explain why males love to "channel suri" while females tend to stick to one

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Substitution

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While the link to prehistoric behaviour has not been scientifically established, researchers say there is evidence that men and women use media in different ways. Those differences may have enormous implications for the developsent of cyberspace.

A recent study sponsored by the consultancy The Kelsey Group showed that females display more loyalty to sites on the Internet, for instance, and spend more time at their favourite locations. They are also less likely than men to be impressed by gimmicks and fancy graphics.

"Men like to surf around the virtual world in search of cool stuff," said Rosalind Resnick, one of the study's authors. They are looking for toys. Women are after tools - either a true sense of community from a chat room or online social club, or ways to make

their lives more efficient." The study also found that women are particularly intolerant of aggressive cyberspace behaviour such as "flaming" sending insulting e-mail to members of a chat line - and are far less fascinated than men by the technological

underpinnings of the Net. Women are floating into cyberspace in increasing numbers. A year ago, most studies estimated that only 15 per cent of Net users were women. Today, surveys place the figure at closer to 40 per cent. "When this first started, it was some-thing guys created for guys." said Paul Sagan, president and editor of new media at Time-Warner. "Now, the digital world is starting to look more the analogue world."

information and chat lines focusing on women's issues from fashion to breast cancer are quickly multiplying on the infobahn, and companies are target women means of specially-created built a consulting business



Marketing groups sense that female users constitute a gold mine. Women are widely believed to make most consumer decisions in the US. According to the American Mass Retail Association, 75 per cent of primary shoppers - for everything from groceries to durable goods - are women.

Yet a study sponsored by Apple Computer last year revealed the gap between cyberspace and other media in the extent to which they attract women. While 85 per cent of the buyers on Home Shopping Club TV are female, the study found, 90 per cent of online shoppers are men.

Many believe those statistics will change quickly as companies become increasingly savvy at wooing female cybersurfers. Several sites already aim at this market. There are now Web venues for traditionally feminine products like Clinique make-up and L'eggs tights, and Toyota has set up a special corner for women's issues on its site.

their way in cyberspace. She runs a site called Cybergril featuring a cartoon character in superwoman dress with the letters CG on her breast. The infobahn herome has a sister, Web Woman. "Cybergrrl helps you find cool things," said Sherman. "Web Woman links you to other women's personal sites around the world."

nerman also runs a Search mechanism called Femina to take users to Web locations focusing on women's issues. "It used to be that you could count them on one hand," said Sherman. "But now, there's a lot out there for women, and Femina will help people find them." Sherman plans to launch a digital cartoon series soon on the adventures of Cybergrrl and Web Woman, and is currently advising companies on how to set up women-oriented sites.

Although cyberspace is noticeably more feminine than only a year ago, many observers believe companies are still around helping women find sites are put out by men," said make a big impact right away,"

Marcia Stoltman, vice president of Editor and Publisher, which produces a publishing industry newsletter. "There's too much in the way of cute graphics and not enough in the

The Apple study offered some advice to marketers. Suggestions included: Save women time and money. Women are more likely

way of real value."

to shop online if they see substantial savings or added con- Make sites easy to navigate. Because women do not spend

as much time surfing, sites should be easy to find and get Create a safe environment. Women are unlikely to spend

time in an area prone to "flame wars" or other aggressive behaviour. • Consider offering free e-mail or chat rooms. One of the main reasons women go

online is to communicate. Cybergrrl's Sherman also advises companies to be nationt when building sites for "You can tell that a lot of these hook them, so don't try to

she said. "Companies should cultivate on a grass roots level. spending a little at a time to build it up gradually. If you go all out at the beginning with whistles and bells you'll be wasting your money.

While many observers strongly believe the gender lines in cyberspace are clearly marked, others feel the differences are exaggerated. "I think men and women are basically looking for the same thing," said Hunter Madson, vice president of communications strategy for Hotwired, the computer version of Wired magazine. "Making sites easy to navigate, helping users save time and money . . . those are things companies should do to attract men and women."

The debate on how big the gap is between women and men in cyberspace will continue for some time. A growing number of companies, however, seem to believe a change in strategy is in order to reach feminine cybersurfers. Because of their new focus, the Net and take on an increasingly pink- peting platform to the PC.

Tim Jackson

# No escape from voice-mail jail

Mark Ander state, publishes one of the Internet's

electronic newsletters. He pointed out something interesting in an essay that he circulated to subscribers this week: the fact that the world's telephones outnumber its computers by a factor of at least five.

offers an exciting market opportunity. While Microsoft and Netscape fight it out for control of the browser stan-dard that will dominate the Net, the far larger market for telephone-based computing remains free from domination by any single software provider - and new products are suddenly making telephonebased computing a reality. The latest is software that can take incoming e-mail mes-sages and read them to you over the phone. With most of the inhabitants of developing countries still too poor to pay \$1,500 (£980.30) for a PC, Anderson believes, the humble phone could "compete with, and exceed, personal computers as a platform for

He starts from the view that communication, rather than data processing, is the "killer application" that today makes people want to use technology. Anderson admits that the phone will not be able to do everything that the PC can. 'But look at the use you make of PCs today, each day, and ask what percent of this use is communications-based versus local data input or screen output," he says.

He is right that as more computer functions become available to phone users, a significant and perhaps so far neglected market is likely to

But Anderson is quite wrong to believe that the hundreds of millions of people punching numbers with another. The result is a gad-get that is much less easy to who have access to the telephone but not to a PC. But what kind of value-added seruse than a PC. vices will companies be able to sell to those consumers? Proof of the telephone's unfriendliness is the inability of many office workers to They won't need to have their e-mail read to them, because even transfer an incoming most of them won't communicall from one extension to cate with anyone by e-mail. another. In theory, this draw-Nor will they have bank bal-ances to check, investments back can be overcome. Patient

to buy and sell, TVs on which

perfect for exchanging short

menus, icons, operating sys-

tem - may be costly, but it

adds up to a highly efficient

system for controlling a wide

range of different software

applications. Even untrained

people can compose complex

documents on a modern word

processor with only a few

hours' training. To turn a PC

into a phone, you would have to hang a towel over the

screen, put masking tape over

the qwerty keyboard, and

leave only the numbers acces-

sible. You would replace the

The paraphernalia of the PC

mouse, colour screen,

pieces of information.

on. But to most people, this is "voice-mail jail": maddeningly to view rented movies, FedEx packages to send, or credit cards to use in payment. slow, and a poor substitute for Even for the rich, voice has a human being. its drawbacks as a communi-A standard user interface cation tool. It is friendlier and for the phone is needed, so that when you call a company more personal; and voice messages are quicker and easier for the first time, you know that pressing the hash key will bring up the internal to compose than e-mail. But they are less convenient to receive. When I was working a message urgent delivery. Who can set such a stanas a foreign correspondent in the Far East, I used to spend a fortune in phone calls dialling my home in Tokyo from a hotel in Seoul to pick up messages - and there was no way

dard? Evidently not phone companies. Most of them think "value-added services" means pornographic chat and to skip past the long, chatty the speaking clock. A softmessages from friends to the ware company will have to more urgent orders from my newspaper's foreign editor. create a standard. The winner will emerge from a battle, and Dealing with a couple of may not be the owner of the dozen e-mail messages takes best interface. It will make only a fraction of the time it pots of money, and scores of takes to listen to the same enemies. But its standard will number of voice mails conturn telephone computing taining the same information. into something usable. And e-mail, with its welcome friendly and ubiquitous. incentive to brevity, is also

voices tell you to press one for

sales, two for service, and so

If this sounds familiar, that is no coincidence. The process just described is exactly what has happened in the computer industry, in both software and hardware. Microsoft and Intel may well be companies that the rest of the industry loves to hate. But their standardsetting makes the PC a better

and more attractive product. That is why so many computer companies choose to take a small slice of the giant cake whose recipe these two firms have decided, rather than bake one of their own. And that is also why, until its software interface is dominated by a single standard, the telephone will never be a handset that the user must tim jackson@pobox.com

# Ideal Hardware profits from lesson of burning trousers

Radical multimedia marketing may lift margins, says Paul Taylor

discovered the selling power of moving images long before he founded Ideal Hardware, the data storage and computer peripherals distributor, 10

As a salesman for Xerox in London, he would sometimes find himself knocking on the same doors as the sales rep for a fire extinguisher manufacturer. "He used to set light to his trousers and then put the fire out with an extinguisher," he says, "I realised then that on image of someone doing something is much more powerful than words alone."

It was a lesson that he has put to good use at Ideal, now one of the UK's largest independent distributors and a leader in the use of multimedia sales techniques including a quarterly magazine, CD-Rom catalogues, video seminars, business television and the Internet to back up its special-

ist telephone sales teams.

Among the products sold by

Cyber

The excellent Women's

Wire (sount women.com) is cur-

rently running details of the

"100 best Companies for Work-

ing Mothers" survey. Mostly

US-based organisations, but

well worth a browse if you're

chasing information on how a

company compares with oth-

ers in terms of pay, childcare

and promotion opportunities.

The Washington Post has

built on lessons learned from

its Meital ink experiment to

annich a terrific Web-based

service www.washington-

postcom – with news updates,

film finder, searchable classi-

44.5

the company's 60-strong sales team are complex devices like disk drives, RAID storage devices and file servers. "As technologies become more and more sophisticated, it is harder and harder to describe them on the phone," says

The data storage distribution business, like most other distribution businesses, faces an inexorable drift towards selling on price alone. "There are two ways round that," says Wickes, "putting people back on the road, or getting radical." Ideal Hardware

decided to get radical. While other distributors have seen their margins shrink in the face of growing competition, Ideal has managed to keep its margins above the 14 per cent level - twice that of some of its competitors - by providing its customers with valued-added services and enhancing branding.

Channel Vision, Ideal's satellite-based business television

fieds and a top-notch weather

section. Building on one of the

most valuable content brands

in the world, the Post.com site

is useful and entertaining to

domestic and international

readers. Well worth book-

With the holiday season

close, the UK Hotel and Guest

House Directory (www.s-h-

systems.co.uk/shs.html) might

prove a boon for planning one-

off overnight stays. Indexed

by town or region, it also has

an e-mail-to-fax link for many

of the hotels, some of which

offer discounts if you book

online. Also, Internet Holiday

Rentals (www.holiday-rent-

als.co.uk) has added a useful

"late availability" feature, out-

liming rental properties world-

wide that are available that

Edinburgh Business School

marking

programme, is broadcast every Monday morning at 8.45am to about 500 resellers, 80 per cent of whom watch the programme each week. Channel Vision features new product announcements and demonstrations, case studies and debates between leading industry figures. Ideal is planning to extend the broadcasts

from one hour to five hours a Like Ideal's videos, Cyber Seminar CD-Roms and Profile CD-Rom catalogues, Channel Vision's content is produced by a small company called Kinexus which Ideal has just acquired to ensure that it can react quickly to events in a

fast-moving industry.

At the moment Ideal distributes about 22,000 copies of its two-disk ProFile CD-Rom catalogue each quarter and has than half the total reseller base. Wickes intends to make the content more up-to-date by using an integrated combina-

at Heriot-Watt University

(www.ebs.hw.ac.uk) has put up

a nice, easy-to-use site offering

information about its MBA

programme, including part-time and distance-learn-

ing arrangements, and the

school's Business Executive

Centre for corporate seminars.

• New York's Federal

Reserve Bank has built on its

existing site (www.ny.frb.org)

to incorporate more informa-tion on community affairs pro-

grammes and compliance data

on the Community Reinvest-

ment Act. The bank also plans

to put up additional features,

such as M&A reports, holiday

schedules and service bulle-

tins during the coming weeks.

A company called Dhillon's claims to be Britain's first

Internet-based fast food deliv-

ery service (www.almac.co.uk/

dhillons) and says that "any-

tion of the Net for rapidly changing data and CD-Rom for high bandwidth material such

Eventually he also expects to sell commodity items such as software over the Net, but is cautious about the impact of electronic commerce on his siness, "The Net represents a big opportunity and a threat," he says.

"I can foresee a situation in which a customer uses Ideal to get information about a product, and then goes somewhere else, to a cheaper supplier, to buy it. Our unique selling point is our information, so we are going to have to find a way to charge for that if a customer goes elsewhere to

is in. "We are not in televi-sion," he says. "We are a dis-

one on the Web can view its

extensive menu of curries,

kebabs, pizzas and burgers".

All very well, but unfortu-

nately you have to live in Fal-

kirk to actually order any

thing. Defeats the purpose of

• Finally, a shameless plug

for the FT's distinctive car-

toonist Jeremy Banks, whose

first collection, The Many

Deaths of Norman Spittal, is

www.jbanz.com. Wacky stuff

World Viide Web

www.ft.com

www.usa.ft.com

steve.mcgookin@fl.com

the technology, somewhat.

Despite Ideal's use of different media to add value to its

service. Wickes has no illusions about the business Ideal tributor, and this is just a way of securing our future."

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Vickery, recession and the opening

up of more Japanese markets have started to soften some of these

He is realistic about the possibili-

ties - the prospect of enticing big Japanese companies to throw off their legacy and dispose of some of their subsidiaries in this way is remote. But there are, he believes,

two more promising groups of com-

Transtech - subsidiaries of foreign

companies. Much less constrained

by cultural objections, foreign owners may well look at the experience

of Swire and Transtech and see the

The big danger for the would-be

buyers, though, is a financial one. Stung by their financial disasters of

the past few years, Japanese banks

are reluctant to expose themselves to the kind of risks that are posed

The problem was especially serious at Transtech. According to

Kuniyoshi, the company's main bank was not enthusiastic. "What

obviously troubled them was the

loss of the guarantee from the par-

The second category of company Vickery has in mind should not face

this problem. 3IBJ has been

researching the potential for man-

agement ownership at smaller,

nessmen means that a vast number of companies are run by men aged

70, 80 or 90. More than 100,000 com-

panies fall into this category - a

figure much higher than 20 years ago. The problems of succession at these companies will be more acute

than ever. Vickery believes. For the

better-run companies, the manage-

ment buy-out is an obvious possibil-

ity.
"Normally when a strong owner-

manager dies, he leaves an almighty mess. In the next few

years, that will become an increas-

ingly common problem," says Vick-ery. "The well-planned buy-out

should be a useful means of avoid-

Overcoming the cultural barrier

will still be the biggest challenge, however. Unease at the very idea of

the MBO is still widespread in

Japan. At these smaller companies

The Americans were all eager to

congratulate us on our triumph.

the hostility may be even greater.

The age profile of Japanese busi-

ent company," he says.

family-run businesse

by MBOs.

The first is businesses such as

# **MANAGEMENT**

o the casual observer, only the sapphire-blue, brushed cotton shirt marks out Ryoji Kuniyoshi as a corporate iconoclast. In a country where the starched white shirt is a kind of badge of group belonging, sartorial individuality often connotes a streak of professional independence

So it is with Kuniyoshi. In the conservative, some would say pre-dictable, world of Japanese business, he has just earned his revolutionary spurs. In February he achieved the unusual distinction of leading his company, Transtech, through a management buy-out.

The MBO may be a familiar tool of corporate engineering in the US and Britain, but in Japan it is as rare as the compulsory redundancy.
The traditional rigidity of Japan's corporate culture is mostly to blame. The near-sacred status of the Japanese company and the hierar-chical stratification of roles within it mean that an idea as flexible and egalitarian as management ownership of a company is an almost sac-rilegious abuse of the Japanese social compact. Until Kuniyoshi came along, the MBO - in which management and staff, with the belp of venture capital, buy a company from its owners - has largely been seen, by those who had ever heard of it, as an alien

"It is true that the MBO has been an extremely rare thing here," he says, "but that will change. As they see a precedent, more Japanese companies will find out about the attractions of MBOs...

The genesis of the Transtech MBO is a good example of the sort of change in management attitudes in Japan that may bear out Kuni-

The idea of management owner ship first came to the Transtech boss six years ago. The company, an importer and distributor of electronics and systems components that employs 55 people, had been set up as a division of its parent, the Hong Kong-based Swire Group in 1985. When, five years later, Swire promoted it to a fully-fledged subsidiary, with capital of Y100m (£590,000), Kuniyoshi decided that the young staff would benefit from western-style incentives. A share of the ownership for the management of the company would greatly improve morale, he believed

He first suggested to the Swire board that the management buy a stake, about one third of the company, an offer Swire rejected. But Kuniyoshi persisted.

During the next few years, it became clear that the company's core activities were increasingly out of the mainstream of Swire's business. Kuniyoshi saw the dangers in the diverging interests and continued to press his plan on the main

anagement buy-outs are not unknown in Japan as Osamu Yasuda and Takamori Tamura will testify. The bursting of the economic bubble and industrial deregulation has forced some leading companies which diversified into various businesses during the 1980s in search of earnings, to return to

In 1994. Yasuda decided to buy out the optical electronic sensing technology subsidiary of Japan Energy, a mining and petroleum

workforce: the crowd of England

fans who travelled out to Wembley

last Wednesday high on hope, or

the crowd that travelled back, gut-

ted? The conventional wisdom, as

supported by a panel of production

managers assembled by the FT last

week, is that when our team is

doing well we are happier and work

harder. The England win in 1966 is

supposed to have done wonders for

productivity. But for my money I'd

The fans on the way to the game

were chanting, noisy and obsessive,

clutching their cans of Fosters and

Special Brew. Just think of how

much more they would have had to

drink had England won, just think

of how many post-mortens in the

office would have become essential.

When football is that great, who

needs to work hard? But Wednes-

day's cripplingly disappointed

crowd hurried away in silence from

line orderly and subdued. The pub

We packed onto the Metropolitan

rather employ despondent fans.

Who would you rather have in your at the end of our street was empty

The alien concept of a management buy-out has proved an attractive option for one far-sighted businessman, writes Gerard Baker

# Japan's new iconoclast

sider the idea. To his surprise, they agreed but on condition that his team buy not merely a stake, but the whole company.

"My immediate reaction was that was just not possible - it would be too costly for us to take on the whole business," says Kuniyoshi. "But I was definitely interested."

To help understand the mysteries of financing an MBO, the president consulted 3IBJ, a Japanese joint venture between 3i, the British venture capital group, and IBJ, one of Japan's largest banks.

The timing was serendipitous. Paul Vickery, managing director of 3IBJ in Tokyo, had been looking at the possibility of more fully introdu-cing Japan to the MBO. "It had all the right features for an MBO," he says. "It was the ideal opportunity to develop a practice common else-where, but almost non-existent in

In February the deal was completed. A transfer price of Y150m was agreed. The management now owns 45 per cent of the share capital, 30 per cent is owned by 3IBJ and the rest was taken up by "angels" - friendly investors. The company aims to list on the overthe-counter market within the next

Customers, who include some of Japan's largest companies, have pronounced themselves happy with the new ownership, and the Y2.2bna-year business is thriving.

Vickery believes Transtech will prove to be just the start. He points out that 10 years ago, few had heard of buy-outs in Britain, yet they have since gone from strength to strength and in the past five years there have been more than 5.000. Even in Germany, also apparently infertile ground for the MBO, the number of buy-outs is growing.

"No one has really set out systematically to create an MBO market in Japan. That is what we are aiming to do," he says. But be accepts that cracking the Japanese market will be much

harder. Apart from the general problem of the fear of the unfamiliar, a range of mainly cultural difficulties stand in the way. The most important constraint is feature of Japanese business activity relations not confined to

tions. Japanese companies and their employees are not bought and sold like goods on the open market -witness the very small mergers and acquisitions market in the country. Even when companies do break MBOs. Japanese companies do not with that powerful tradition, generally like to sell subsidiaries. another common cultural problem That applies to selling to anyone, arises. The requirement for consen-

sus makes it a cumbersome business to get agreement, both at the parent and the prospective spin-off company, on the disposal of subsid-

A third problem is an innate caution among many Japanese managers. They often prefer the protection and security a big company might give them to the possible rich rewards but big risks associated with a buy-out.

negotiate with your boss? It is a difficult enough problem for British or American managers, let alone the more deferential Japanese."

the Japanese business executive: ence towards the owner is an essential part of the principle.

manager at Transtech, "as though you are usurping power from the rightful owner." But, according to

One of the managers at Transtech sums up the innate conservatism of porate diplomacy. Hierarchy is rigidly observed in Japan, and defer-

The Japanese thought it a matter

When we had eventually completed the MBO, we received an enormous number of calls from two As Vickery puts it: How do you sources - our American suppliers and our Japanese friends.

"It almost feels immoral," says a for commiseration. They all said how sorry they were that our business had had to come to this."

of the company seemed to be more appealing than being controlled by a larger owner. Alphax, which needed the cash,

readily agreed to the sale and in 1994 Tamura launched Alphax Food Systems with capital of Y50m.

While the interest payment remains a heavy burden, by fully disclosing company finances and pperations to employ aims to keep morale high and wants to boost earnings to Y10bn by 2000.

Emiko Terazono



Clifton, who has been blind from birth, the most difficulty in his working life. Clifton works as a computer systems analyst at Prudential UK, the retail side of the

the transfer sale of the property of the property of the property of the property of the problems in his work, thanks to the support of his employer, which has tapped into government schemes to perchase equipment such as a anner that reads docum

and provides a speech output. "I believe I am treated like individuals are slightly besitant about my abilities." says Clifton, aged 36, who has worked for the Prodential for more than eight years. Previously be worked for Thurs-

KMI and Texaco. He says the main obstacle to employment in securing an interview. Employers read us your curriculum vitae that we are blind and they fear that you will not be able to do the jobs. Rut, in my experience, on

able to discuss some of those preconceptions, you stand as fair a change as anybody also? John Wall, chairman of the Royal National Institute for the Blind, who is a solicitor and who is also blind, advises employers to analyse the ponents of a job and flien perly evaluate those areas where a office betach may need

"As a solicitor I listen to chents, I take notes and I write chents, i take notes and all these letters," he says. "But, all these activities can be accomm using new technologies. A lot of signical solicitors use the same technologies. The RNIB says there are over

100,000 blind and partially. ... sighted people in the UK and they are the least likely of all they are the least likely of all groups with disabilities to get a public to the 16-th age range an estimated 75 per cent of people who are registered blind are unemployed.

The RNIR, which makes the

cavest that some registered blind people may not be actively seeking work because of their particular disability, says: Many employers perceive bilindaess as an insurmountable obstacle to work. They find it difficult to understand that geople can perform tasks

But, technical developments have been such that there are very few jobs that a blind or partially sighted person cannot do with the right assistance." A ech system can be added on or integrated into electronic equipment, while for partially signized people, there are different screen magnification uent, while for partially

The government, moreover provides allowances for registered blind people to have the services of a reader. - Many blind and partially ighted people turn to elf-employment. June self employment. June Bretherton; a former teache runs her own company which arranges conferences and

"The main problem in setting up a business if you are blind is persuading the hank, or the Employment Service which provides financial assistance nt Service which that you have a viable bust

# There is also the problem of cor-An impetus for change

company created through a merger between Kyodo Oil and Nippon Mining in 1992. He had headed a project team for Nippon Mining in 1985 to look at new businesses for operations became large enough for Nippon Mining to make it into a subsidiary, costs were larger than

and all the lights were out in the

houses. The following morning

everyone woke up sober and sad.

And what do you do when you are

bitterly disappointed? Do you want

to stand around and talk about it

for hours on end? Of course not.

You go to work and get on with the

Excuse me. Can I have a look at

your ankle? Is that a tattoo of your

corporate logo just below your sock

line? If you ask a Nike executive the

answer may be yes - some of them

have tattooed the company's tick on

to their leg to match the tick on

of Faith Popcorn, the US marketing

guru who likes to tell the nation

what is up and what is down. It's all

very puzzling. Tattoos are for life

but I had understood that jobs these

So are jobs for life after all? The

days were just for Christmas.

This information comes courtesy

their Nike trainers.

job to take your mind off it.

When Japan Energy started restructuring, Yasuda decided to buy out the operation in 1995 and became the president of Y.O. Systems. Japan Energy the subsidiary's losses and decreased the capital to Y20m (£118,000) from Y100m. The

company managed to shed overhead

most confusing thing about the

debate is that no one agrees on the facts. Has the world of work

changed beyond all recognition, or

are the changes at the margin?

Recently a piece of government-sponsored research claimed that the

percentage of the British workforce

in full-time permanent employment

is over 80 per cent and has barely

his morning newspaper, he choked on his cornflakes. According to him,

the number is already less than 50

would be easy to find out who was

You might have thought that it

When Charles Handy read this in

changed in the past 10 years.

whether outside or inside the group.

The close ties between companies in

the big business groupings, or keir-

etsu, foster almost familial rela-

and interest payment costs and for its first business year had sales of Y610m and recurring profits of

Yasuda's initial financing 50 banks and venture capital companies are offering finance. Elsewhere, the sharp decline in property prices since the early 1990s

that matters. How can we begin to

describe our society or even plan

our own futures until we know

Conspiracy theorists might say that it is in the government's inter-

ests to suppress just how uncertain

the world of work has become. But

appeal for me. Only last week the

the rival cock-up theory has greater

government admitted that 20 per

cent of the questionnaires that it

sends out to companies are unnec-

essary and that they could be axed

without damaging economic statis-

what the figures are?

**Lucy Kellaway** 

was encouraging Alphax, a property and leisure resort developer, to restructure its business and focus

on its main operations. Tamura proposed buying out the restaurant systems division which he had started in 1987. While Tamura had considered finding a corporate buyer, becoming the head

A good worker is a despondent one

account of the ones that really mat- trust per se: the dangerous col-

said to a colleague the other day, referring to a third party whose back was turned. He gave me a said. "It's a bargain between consenting adults - only silly people talk of it in the abstract. It's all a game - what matters is not whether you trust other people, but whether you can predict what they

are going to do." Needless to say this particular colleague is a cynical old so-and-so whose views are usually obnoxious. I said that I believed in something called trust, believe it to be a good thing, and am quite prepared to go along with the US academics who have found links between trust and economic performance.

tics at all. So perhaps with fewer But I wonder if his view might irrelevant numbers to process, it not have its advantages as a practi-

leagues are not those who are obviously untrustworthy, because you adjust your behaviour accordingly. They are the ones who you think "I like X but I don't trust him." I you can trust and then live to

> I had a double take last Wednesday as I looked at the picture of the chief executive of the Pru on the front page of the FT. For a minute I thought I was looking at Mick Newmarch, but then I realised that Peter Davis, the new boss, is taking on an uncanny resemblance to his predecessor. Not only has he physically grown into the job, he has adopted the same expansive gestures, the same set of the jaw.

I wonder what Newmarch looks like these days. Maybe he has done what people tend to when they leave office and has now reduced in size just like Lord Lawson, Neil Kinnock and Lady Thatcher ...

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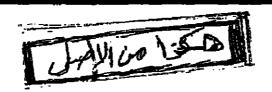
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# **BUSINESS EDUCATION**

Business schools are looking for a higher proportion of women on their MBA courses, says Della Bradshaw

# Soft focus beats the hard sell

here is a growing disquiet in the minds of business school administrators. While they all enthusiastically promote their master of business administration degrees (MBAs), they are increasingly concerned that the high-flying managers they produce have more in common than just the three letters after their names. The vast majority

of them are men.
Figures published by IMD, in Lausame, show that the problem is par-ticularly acute in Europe. In the US 30-35 per cent of all MBA students are women; in Europe the figure is as low as 15-30 per cent, varying from country to country.

So concerned are many of the European schools that some ~ IMD, London Business School and Manchester Business School, to name just three have devised scholarships to fund

women through the courses. At Cranfield School of Management, in the UK, the proportion of women on courses is generally rising, says director Leo Murray. But in this year's intake of full-time MBA stu-dents the proportion of women dropped to about 10 per cent. The

school has set up a focus group with some of this year's women students to try to discover why.

"Tve always felt the MBA was marketed as a really tough programme for really hright people," says Susan Vin-nicombe, dean of Cramfield's management and administration faculty. That puts off many women, though it is a turn-on for many blokes."

She points out that many of the women MBA students at Cranfield have partners who have already done the course and so have some real experience of what it involves.

The focus group backed up Vinnicombe's theory and pointed out that the promotion material for the MBA course sold it as a worthwhile invest ment - promotion at work, a higher salary and so on

Riz Latesf, who graduated with an MBA from Cranfield in 1995, says her peers were not impressed by the money and status arguments. "They saw the course in terms of personal experience and change of lifestyle." Women are much more likely to talk about job success in terms of an inner psychological dimension,"

and status."

At Manchester Business School a similar focus group was set up a few years ago. It identified similar concerns. As a result, promotion material for the Manchester MBA was changed to stress that the course handled "people skills" as well as the "harder subjects - accounting or statistics.

The change has contributed to a sizeable increase in the number of women students. In 1993 only 26 per cent of students on the part-time MBA course were women. This year the figure is 52 per cent. The full-time course has 27 per cent women stu-

ndrew Dyson, director of post-graduate administration at Manchester, puts the popdown to the fact that many women in their early thirties want to take a career break for family reasons and so are unwilling to take a further year off to study.

But the basic problem may lie in the intrinsic design of the European believes Vinnicombe. "Men are more MBA course, argues Kal Denzel, direc-

I'VE MADE IT ON TO THE MBA COURSE BUT THEY WON'T LET ME INTO THE SEXUAL DISCRIMINATION CLASS



tor of MBA admissions and career services at IMD. European MBAs are designed to take students in their early thirties, who already have good management experience. In the US, where there is a higher proportion of women on MBA courses, students are usually 26 or 27 years old. "A woman at 30 has different issues

to deal with than a woman at 26," concludes Denzel. For women who do get an MBA the employment news is good. Companies

male-dominated industries of manufacturing, banking and consultancy. says Denzel.

Some of the consulting firms are even changing work practices by introducing home working and sabbaticals, to encourage talented women to join the staff. Moreover, Denzel believes there is

one positive factor that prevents women from taking a career break to study for an MBA. "Organisations are so eager to keep good women managare eager to employ more women, ers that they put in more of a push to even in some of the more traditional keep women than they do men.

# **NEWS FROM**

### Performance pay the business school way

The Indiana University School of Business is practising what it preaches and applying the rules of customer satisfaction to its wages bill.

Under the "pay by periormance" scheme ntroduced by John Rau, dean of the school, pay rises are no longer allocated uniformly but are subject to an incentive system. The pool of money

allocated to each department for pay rises is now dependent on innovative programme design, teaching quality and the way in which aculties deal with both present students and alumni. Indiana University School of Business: US, 812 855 9039

### Drop in recruitment at consultancies

The surge by management consulting firms to employ all the best American MBA students would seem to be on the wane, if figures from the University of Chicago graduate school of business are anything to go by. Preliminary figures from Chicago show that only 21 per cent of this spring's

INTERNATIONAL FOR MC

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AND

graduates will be joining consultancy firms compared with 32 per cent a year ago. The school believes the decreasing number of corporate re-engineering projects undertaken by consultants is to blame for the decrease.

However, the starting solary for management consultants is still the highest of any industry at about \$300,000 (£65,000) including bonuses and perks. Investment banking companies hired 18 per cent of the Chicago graduates. University of Chicago: US, 312

### Learning the business lingo in London

The European Business School in London is running English language courses over the summer for business people who do not speak English as a first language. As well as the four-week intensive course. the school will be running combination language and business skills courses in economics, accounting and finance, marketing and business and management operations. European Business School: UK, (0)171 487 7495

# Business Books

On Monday 8th July, the Business Education Section will publish a selection of the latest business book releases. This will appear in the form of a list, giving the book title, a description of its content, and details of how to acquire it. A wide range of topics will include Management, Finance, Banking, Reports, Reference and Emerging Markets.

> Publishers wishing to promote their book list should contact: Will Piper Tel: +44 171 873 4418 Fax: +44 171 873 3098 Copy deadline: Tuesday 2nd July

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# BUSINESS TRAVEL

### Travel News · Roger Bray

Korea airspace move Flights from Europe to Seoul will be significantly shorter if North Korea agrees to open its airspace to foreign airlines. The move could follow meetings this month between officials in Pyongyang and a

delegation from the International Air Transport Association. It would benefit pas on up to 60 services a day. including those travelling between North America and cities such as Taipei. Airlines may at last be able to offer

non-stop flights from Chicago

and Toronto to Hong Kong. British Airways, whose pilots \$250m a year in operating costs. The North Koreans have indicated they will accept flights by all airlines, including those of carriers based in

are forced to detour south from

Beijing, over Japan, reckons it 🔻

would cut the journey by 90

One estimate suggests it

could save airlines a collective

South Korea - Korean Airlines

minutes.

and Asiana.

Iranian airport iran has opened a new airport in the north with the aim of improving links with the Central Asian republics.

Called Almas International, it is near a free-trade zone at the oorth-eastern town of Sarakhs, on the border with "

Initially capable of handling short-haul jets, it will eventually have capacity for up to 3m passengers a year. The development is part of a quiet drive by Iran to expand its civil aviation infrastructure to cope with rapidly increasing traffic.

Car hire price rise Brace yourselves for sharp increases in UK car hire costs. Eurodollar says it needs to raise prices by up to 15 per cent to counter deepening vehicle depreciation because of a fall in the second-hand market and a squeeze by manufacturers, who want to increase their earnings by selling more cars on the forecourt. A rise that steep vould take the daily rate for a

Vauxhall Corsa to about £28.

Check out check-in Groping, as hoteliers do, for ways of inching ahead of the competition, the manager of London's Four Seasons has come up with a wheeze already familiar to US stic air travellers – the kerbside check in. If the hotel knows what time you expect. to arrive, the doorman will ... hand over your room key and arrange for any luggage to be

sent up. The idea is aimed at the Park Lane hotel's regulars.

Hotels club Two-thirds of business

travellers are keen on the idea of hotel "clubs" offering them special facilities. When Regent International surveyed its frequent clients, no fewer than 60 per cent said the concept was "very important" when it came to choosing where to stay. So, in return for a small premium above the daily room rate the chain has begun ffering extras such as a library stocked with newspapers, magazines and reference books, transportation to some business

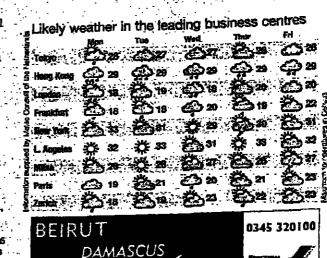
appointments, round-the-clock

spacks and drinks; and special arrangements for checking in and out. The club has been launched at Regent's hotels in Jakarta and Bangkok - and will be extended to Singapore and Kuala Lumper.

Wing and a prayer

Copenhagen Airport has opened a "prayer lounge' where fraught passengers can seek inner peace away from the bassle of air travel. The lounge, which will accommodate about 30 people, promises to provide facilities for most religions. It can be divided in two to avoid clashes and includes floor markings

showing the direction of



The benefits of airline alliances to the business traveller are open to debate, writes Amon Cohen

ast month's proposal of an alliance between British Airways and American Airlines was hailed as unequivocally good news for the two carriers. Both airlines will effectively double their networks at minimal expense, leading analysts to forecast additional profits of hundreds of millions of dollars.

Whether this and similar alliances ratified in recent weeks are an equally good deal for the business traveller is open to debate. BA and American argue that their alliance is necessary to keep the transatlantic market competitive. Otherwise, they say, they will lose ground to the partnership forged by United Airlines with Lufthansa (shortly to be joined by SAS) and by Delta Air Lines with Swissair, Austrian Airlines and Sabena.

Furthermore, they say an open skies agreement between the US and the UK, which would accompany the alliance, would give more airlines access to Heathrow, leading to a fall in fares as more carriers compete on the same routes.

The reality appears to be far more complex. The International Air Transport Association fears the partial with-drawal of the airlines that have formed alliances from tariff-setting conferences could spell an end to interline agreements in Europe. Interlining is the mechanism by which passengers on itineraries involving more than one airline transfer from one carrier to another but pay just one fare

# The right connections

of tariff co-ordination, predicts that passengers at regional airports will suffer if their local airline is unable to make interline agreements with large, allied carriers.

"A number of airports are going to feel deprived as a result of this," he says.

Hans Krakauer, industry and government affairs spokesman for the International Airline Passengers Association, a consumer group, has predicted that travellers will have more difficulty in finding convenient flight connections and will pay more for complex flights. "It would make it very diffi-

cult for many people in Europe and North America to make proper connections and pay a proper price for it," he said. One regional British airline feels threatened by alliances for a different reason. Jersey European Airways flies between Belfast, the Channel Islands, London Stansted, London Gatwick and several smaller domestic airports. A large proportion of its traffic to Gatwick and Stansted feeds

with larger carriers. Much of the competition on its routes is provided by BA franchise airlines which fly under the name British Airways Express. The problem, says managing director Barry Perrott, is that BA offers connections from the above points for the entire journey. to its international hubs at no Patrick Murphy. lata director additional cost. That already

through to international flights



makes it more tempting for Jersey. Now Jersey European also stands to lose its passengers who would previously have transferred to American Airlines flights. "For small carriers in he UK, you are either in [the BA network] or out," says Mr Perrott. "This makes BA even more dominant."

passengers flying from Gatwick with BA to use the BA franchise carrier from, say, are under pressure. British Midland demonstrated how He is also concerned that a US-UK open skies agreement would allow more US airlines

into Heathrow ahead of Jersey European, which has applied for years for departure and landing slots. "If US carriers, as part of the agreement, are allowed to jump the queue, we would be extremely unhappy." With interlining under threat, and the superior marketing power of the large airlines, it is easy to see why nonaligned independent carriers

important such airlines are to

the business traveller when it

released a study comparing lowest business class fares on Europe's 40 busiest city pairs between 1986 and 1996. Prices on routes with genuine competition rose by an average 36 per cent, against 48 per cent on those without. But a strong counterargument is provided by

Andrew Gray, managing direc-tor of Air UK, another regional carrier. It is 45 per cent owned by KLM and will fly 1.4m passengers this year to Amster-dam, of which 50 per cent will continue to other destinations with the Dutch carrier. KLM and Air UK also have a partnership with Northwest Airlines which dates back to 1989. It is precisely this grand alliance, Mr Gray argues, that makes international flying possible for passengers at some of the smaller airports without connections to Heathrow or Gatwick. "We are able to offer a worldwide product to passengers at airports such as Hum-

perside and Norwich," he says. "We are going to end up with a certain number of worldwide alliances. Any small carrier has to belong to one of them." The exception are those carri-

ers that can get by without feeding larger airlines, he says. The main virtue of the alliances for the business traveller, says Graham Atkinson, vice-president, United Airlines Atlantic division, is a seamless service involving one ticket,

one check-in process and one

erson to complain to if any-

thing goes wrong.
Frequent-flyer scheme mem bers also benefit from the link age of programmes, with more opportunities to collect and redeem. Lufthansa and United anticipate their schemes will eventually be merged.

Mr Atkinson sees few negative implications. Where alli-ances exist, he believes, prices have not risen, and there is little chance of their doing so across the North Atlantic, the most competitive long-haul route in the world.

Business travel agents are less convinced by such arguments. David Radcliffe, managing director of Hogg Robinson BTL foresees savings for large corporate clients able to secure enormous, all-embracing deals with the alliances. But for travellers with less buying power, he believes fares could either rise or fall depending on how effectively competition is maintained in the marketplace.

Tony Hughes, managing director of P&O Travel, and air working party chairman of the Guild of Business Travel Agents, says: "I can understand the rationale for airlines but the benefits for passengers

are a bit smoke-and-mirrors. "If major competitors get together, there has to be less choice. The airlines also talk about through services as if this is something new but trav-ellers have always been able to do that. Besides, if a European business traveller is visiting Albuquerque in New Mexico. they will still have to change aircraft in the US and clear customs and immigration.

# Fares war on Schiphol hop

exotic breeds of traveller, but now there is an equally diverse range of airlines to convey them on the short hop to and from London.

Departure boards at the city's Schiphol airport bristle with unfamiliar designator codes as new carriers offer different means of getting een two of Europe's busiest hubs. The result has been a fares war which has forced down prices on the established

If going Dutch means halv-ing the bill, KLM this month did that and more offering for FI 190 (£71) an economy return with the usual stay-a-Saturday restriction, down from the previous Fl 406.

The airline insists this is no gimmick but "a structural fare people can use", from Rotterdam and Eindhoven as well as Schiphol. The same fare now applies on British Airways and British Midland, the other carriers into Heathrow.

Cheaper flights are not the passenger's only gain. The sprouting of competition this spring has meant that Amsterdam is now reachable from any of London's five air-

The brashest upstart is EasyJet, which began flying the route from its Luton base with one-way offers of F199 to customers on the Dutch end and as low as F125 out of the UK. EasyJet upset not only

authorities, who are unhappy with its use of a noisy Boeing 737-200. However, the airport says that under open skies accords it is powerless to bar the offending airliner.

The Luton option joins services from Stansted on Air UK. a KLM associate, while the Dutch carrier's Transavia sub-sidiary does the run to Gat-

Business travellers, meanwhile, for the first time in years have the option of a cab ride to London City Airport from where the hyperbolic World Airlines (slogan: The airline that dares to be different) shuttles a BAe 146 to Schiphol - its sole route - in a service which began last month. In the two-class cabin. introductory fares at the front have recently been as low as full-fare economy on the big airlines out Heathrow.

Chainsmokers shunned by the larger carriers may wish to know that their habit is indulged, though 45 minutes in the air hardly warrants recourse to nicotine patches. Other potentially lucrative minorities are catered to among periodicals offered as inflight reading is the gay style monthly Attitude, aimed at those heading for the bars rather than the bourse.

Gordon Cramb

# SPORT / ARCHITECTURE

# From cricket bat to willow wand

**Keith Wheatley** visits a Taunton firm which makes weapons for star sportsmen



parody of Englishness. The green tranauillity of a county ground From the nets the sound of bat on ball as the Somerset

It seems almost

First XI train. In the Millichamp & Hall workshops the sweetish smell of willow-shavings as another besnoke cricket. bat is hand-finished. Jonathan Hali almost suc-

ally I was almost totally useless at making bats. I dread to think that there might still be some of mine knocking about. laughed the proprietor.
"I suffered from the classic middle-class illusion that a life

in crafts would be blissful. In fact, it's hard, dirty back-breaking work that only a few very skilful people can do.' He handed me a drawknife, a foot-long blade of Victorian steel with a handle on each end, and invited your reporter to shave a little willow from a

half-completed bat. Hall is right. It is difficult. Fear of carving an ugly lump out of a £159 objet d'art makes it When England play India in the final Test match on Thurs-

day there will more than a few Millichamp & Hall bats making runs out in the middle - not that the fans would know it from either television or press photographs. The logos that catch the eye on the weapons of the star batsmen are from the big manufacturers.

This is marketing land, where the endorsement of a Lara, Atherton or Tendulkar can sell many thousands of bats. It needs to, for the players who regularly make Test centuries and back-page headlines ask and receive up to £50,000 a season in endorsement fees for using a particular make of bat.

However, in a surprising number of cases (just exactly who. Hall is too discreet to specify) the three pounds of prime English willow below the stickers is from Millichamp & Hall. These are the bats that dare not speak their name. Professional cricketers want the income from an important manufacturer but also they



want to swing a bat made specifically for them, adjusted by craftsmen for their particular

build and style of play. In short, they want to come down to Taunton, hang around the workshop and watch medieval tools such as wooden planes, spokeshaves and and an oil-soaked horse's shinbone used to shape their heart's

"People often ask me if I mind that our bats are being disguised as other brands and I genuinely don't," says Hall. "We took a decision very early on in the life of the company that we wouldn't ever pay anyone to play with our bats and I think that has been good for a small, bespoke business."

Although the very name has a ring of a Lobb or Purdey, the partnership of Millichamp & Hall dates back less than a decade. Hall was a young man hanging out in New Zealand, running an indoor cricket centre, when he bumped into Julian Millichamp, a young. immensely gifted English bat-maker who had travelled to the

New World to start up his own operation after an apprentice-ship with the legendary John Newbery of Gray-Nicolls and

"It all began when I asked Julian to make a bat for me, treating myself with money my mother had sent me for my birthday," recalled Hall. "It was a revelation. Quite different from anything I'd played with before.

By 1987 the pair were in business; Millichamp handling the wood, Hall shaping the money side of things. Unlike most businesses that start domesti-cally, M & H did things the other way around. From the outset they operated half the year in Perth, Western Austra-lia, and the other six months in Somerset - camped in the medieval barn of a cricket-mad

Steve Waugh was the turning point for the bat-makers. Millichamp & Hall repaired a bat for the Australian star batsman and he became a devoted customer. During the Ashes series of 1989, the Australian tourists headed straight for Taunton and during the Test matches 11 of the 16strong touring party used M & H bats - albeit hidden behind a variety of other manufactur-

ressing room chat did more for the bat's image than any advertising campaign. By word of mouth the fan club grew, and the pilgrimages to Taunton grew more frequent.

A cricket bat is not a lifetime purchase, however much affec-tion grown men feel for the ancient club they have owned since boyhood. "People's expectations of cricket bats are way too high," cautioned Hall.
"Every time you hit the ball you're wearing the thing away. Somewhere between one and three years is a pretty fair life

The key to the durability of the bat's face comes from the 80-year-old hand-operated press that squeezes and shapes the East Anglian willow cleft. "We operate at two tons pressure

which is rather light and leaves every bat having to be knocked-in by hand," explained Hall (whose own batting is better than average top-score in an MCC friendly 165). "We could turn it up to two-and-a-half tons in order to turn out a lot of 'planks' which would be maintenance-free but the batsmen would probably

wish it to break." The firm produces about 2,000 bats a year, with a growing trend towards the lighter models. The fashion, started by Ian Botham, a giant of a man with the strength of a middleorder ox, for bats weighing three pounds and more seems to be a passing phase. Elegance and stroke-making

are back in vogue, with a shift towards bats closer to the 2lb 60z minimum. This week sees the Pakistan touring side visit Taunton for its three-day match against Somerset prior to the Test series. Jonathan Hall is gearing up to sell a lot of plain, un-logoed bats. "All their top guys will be in here,'

# London's beauty disfigured by a traffic maelstrom

A trip to the Tower highlights all that is wrong in Britain's capital, writes Colin Amery

Ton can smell it, you can ence, made worse if you raise Y taste it, you can be deafened and poisoned by it and millions have been killed by it - yet the motor vehicle leads a virtually unhindered existence in Britain, especially in the capi-

tal city. We make enormous sacrifices to this tin god that fail to appease the deity but which erase all memories of life without the car. London is in fact a car park and series of motorways that just happens to have a capital city stranded in the middle of the notorised maelstrom.

One of the few things that really hurts a minister or lofty official is the threat of the removal of the car and driver. Senior civil servants. since they never walk or take the bus or the tube, have no notion of how mere mortals move about.

But there are changes in the polluted air. Pedestrianisation and traffic management are only now squeezing into the official vocabulary. The Millennium Fund has decided to fund cycle tracks from John O'Groats to Lands End. The Heritage Lottery Fund hopes to move civil servants' cars out of the Great Court of Somerset House. It wants to encourage more pedestrianisation to improve the settings of historic build-

I was recently shown plans for improvements to the setting of the Tower of London. As English people never go to the Tower you have probably not attempted the unbelievably hazardous route from the Tower Hill tube station. There are squalid concrete

passages, stinking stalls sell-ing fried onions, and no perceptible pedestrian crossing for tourists to cross six lanes of traffic. It is a horrifying experi-

your eyes from the ancient cobbles and as much as glance at the hideous newer buildings that surround the historic fortress. It is an architectural nadir - a place of shame

The Heritage Lottery Fund has given £500,000 to something called the Tower Environs Scheme Project to pre-pare technical studies and a costed master plan in preparation for another lottery bid. I hope the masterplan is

radical enough. It is being prepared by a partnership between the Historic Royal Palaces Agency, the London Borough of Tower Hamlets, the Port of London Authority, and the Taylor Woodrow Property Company (owners of the adjoining St Katherine

It would be a disaster if it was only another cosmetic exercise. Any plan should include architectural guidelines for the entire surrounding area and plans for the future demolition of unsuitable buildings.
These architectural guide-

lines should encompass all sides of the Pool of London including the huge site oppo-site the Tower on the south bank that belongs to the Kuwaiti Investment Office. Already that site has had schemes proposed for it that copy the Palace of Westmin-

ster (by Philip Johnson) and St Mark's Square, Venice (by John Simpson). Access for pedestrians to both sides of the river is a minimum requirement and a brisk river ferry service should be estab-lished between the north and south banks of the Thames.

With no serious government for the capital, there is a risk of a lot of half-baked schemes for the Millennium and no lasting improvement for the people of the city.

nium Commission should approach (although it can officially only respond to ideas) is the pedestrianisation of central London. That has to be accompanied by draconian traffic management -deliveries at night, less traffic allowed near the centre, and fierce pollution controls.

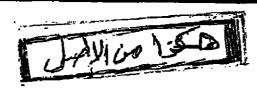
Perhaps a new government would be more responsive. I suggest they start with themselves. All the great government office buildings on Whitehall have large and splendid courtyards. They are all full of cars. Why is the Horse Guards parade a car park? Why is Westminster Abbey cut off from Parliament by traffic? There is no good reason why a visionary Prime Minister could not cre-ate a Parliamentary government precinct that would be as green and pleasant as a walk though the quadrangles of Oxford and Cambridge.

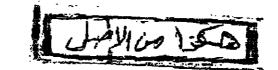
The same could be done in Bloomsbury for a University/ British Museum precinct with lawns and fountains outside the museum. The squares of St Marylebone north of Oxford. Street could recover their dignity.

The scope is infinite, but there has to be a traffic plan for the capital bold enough and sane enough to tackle the whole region. The health of the capital and its people depends on a coherent, holistic traffic and public transport policy. It has happened in other English cities - York is a good example. A visit to Munich will show you how to civilise an important city.

1175

London could do it as the inhabitants are exhausted by the present situation and furious at the lack of imagination and inaction. It is simply a matter of feet first. If nothing is done, the feet will walk elsewhere.





ARTS

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BERLIN EXHIBITION

The Bavarian State Opera's July festival opens tonight with the world. premiere of Mans-Jurgen von Bose's "Slaughterhouse 5". Paul Daniel conducts a staging by Elke Gramas. The testival also includes performances of "Cost fair tutte". "Aida". "Meistersinger" and "Der Rosenkaveller" with Felicity Lott (below) as the Marschallin.

erhaps it was the

fault of the football.

Three weeks of

sumny skies, capac

ity crowds of good-humoured gentlefolk, electrify-

ing tension; we had been spoiled. When it came to cap-

ping it all off with a day of

good vibes at London's other

venue of legends, Hyde Park,

on Saturday, an unmistakeable feeling of flatness inevitably

And then there was the

weather: just to rub that England defeat home, the sky

obstinately refused to brighten,

preferring to mourn in a frater

nal shade of the infamous blu-

ish-grey. It was cold. We needed a rush of energy, but

all we got - with a couple of

exceptions - was mellow, verg-

Not that it was surprising.

The trouble with bringing

together a cast of Masters of

Music - a pleasing pun for the event's sponsor - is that they

are 30 years past their best, or

at least their most important,

days. The canonisation of any

rock star founders on this

premise. Do not believe what

they say about growing, matur-

ing, developing; this concert

would have been epochal in

1966, today it was mildly inter-

esting and at times immensely

The exception to the bill, a

half-hearted concession to the

times, was Alanis Morissette, a

Canadian singer-songwriter of

inoder years but bitter senti-

ments. She was chosen to pro-

vide a surge of youthful dyna-

mism, but one wondered if she had quite got the hang of this

good-natured, open-air love-inthe park business. Her best

song, and the highlight of her

short set, was "You Oughta

Know", a song of disturbing

has spurned her: "And every time I scratch my nails down

someone else's back I hope you

she asked, and we tensed our

shoulder blades in response. A

good song, played with com-

mitment and energy; but carni-

Determined not to be out-

done, another singer-songwri-

ter of some repute, Bob Dylan,

gave a sprightly outing to a

rancorous masterpiece of his

own. The final line of "Posi-

tively 4th Street" is a real

charmer: "I wish that for just

one time, you could stand

inside my shoes. You'd know what a drag it is to be you."

We clapped politely out of self-

disgust. Or, more likely, out of

pretence that we understood

Dylan's recent performances

that his lyrics are rendered as

incomprehensible as possible. One wonders if it is out of wil-

fulness or something alto-

gether more banal, like mem-

ory lapse. It is as if he wants to

what he was on about. For it is a characteristic of

val-time it was not.

feel it . . . well can you feel it?

vitriol from one so young.

frustrating.

ing on comatose.

BONN -

in its series of exhibitions entitled "The Great Collections"; the Kunst- und Ausstellungshalle has showcased art. from some of Europe's most nahlyendowed museums. Now comes the fum of Stockholm's Moderna Museet. More than 200 works have been chosen to represent its collection of modernist, contemporary and Scandinavian art. The exhibition, which includes paintings by Kirchner and sculpture by Glacometti (right), opens on Priday.

COOPERSTOWN Glimmerglass Opera, a thriving restival in upstate New York, operas its 1996 season on Friday with a ... revival of Jack Besson's 1976 opera "Lizzie Borden". The sesson also includes Cavaline "La Calisto" staged by Simon Callow, plus "Don -

Pasquale" and "La finta glandiniera



**TANGLEWOOD** CHELTENHAM

The Boston Symphony Orchestra this week moves to its summe home in the heart of the Massachusetts countryside. The Tanglewood season begins on Friday with a Semstein and programme nducted by Selfi Ozewa, featuring cello soloist Yo-Yo Ma. Highlights of the anniversary

season include 50th performances of "Peter Grimes", a visit by the Kirov Orchestra and Chorus, and two programmes conducted by Bernard in Michael Berkeley's second

summer as festival director, familiar and neglected Russian music rubs shoulders with a large number of British and world The festival opens on Saturday with John opera "In the House of Crossed Desires", set to a libretto by Marina

Warner. Visiting artists Include the Borodin String Quartet. Vladimir Ovchinikov, Thomas Ades and the Bournemouth Symphony Orchestra.

MONTREUX LONDON Montreux Jazz, which begins on "By Jeeves!" - the Friday, has all the bases musical by Alan covered - reggae, funk, Ayckbourn and biues and soul. There is Andrew Lloyd Webber even an Irish night this that both men revised to year. Jazz highlights the opening of include singer Cassandra Wilson, a Scarborough this year -Quincy Jones all arrives in London ster band, George tomorrow, opening at the Benson (right). Duke of York's Theatre. the McCoy Tyner Trio and Horace Septet on the same

Cubby Broccoli

# The man with the golden gun

o one devoted to the topsy-turvy world of cinema could be surprised that it took a Scottish actor and an American producer to create the per-

fect English hero. in the 1960s Albert "Cubby" Broccoli, who died on Friday aged 87, teamed up with Sean Connery to patent the most successful serial action man in film history. By the time the New York-born producer was making his 17th James Bond dventure, Goldeneye, with his fifth 007 in Pierce Brosnan, the series had earned more than £1bn worldwide and it was estimated that half the world's population had seen a

One is tempted to wonder where the other half has been hiding during the 35 years since Dr No. Adapting author Ian Fleming's male chauvinist superspy for the screen, Broccoli and his first partner, the Canadian Harry Saltzman, imprinted Bond on everyone's minds like an instant logo: the dinner jacket, the phiegmatic smile, the quipping innuendoes. the rapid-reflex

This hero was equally at home leaping from tall buildings and propping up a cock-

His birth in the 1960s meant he could also be a snave ladykiller in that window of opportunity between post-Second World War puritanism and today's alliance of political correctness and medical pandemics.

Probably only an Anglophile foreigner could have fashioned anything quite so "British" as Bond.

Broccoli was born in 1909 in Long Island, New York, His first career was in market gardening. Then in the late 1930s he became an assistant director in Hollywood, where his iobs included wrangling with the Indian extras on Howard Hughes's notorious The Outin which Jane Russell's specially cantilevered bosom was more to the fore than were any cowboys or Indians. (Hughes's hobby at that time was designing

Settling in England in the 1950s, Broccoli founded Warwick Productions and embarked on a 10-year production slate of startling variety. physical beroics with Hell Below Zero and Cockleshell Heroes. Another it was Peter Finch caressing a green carnation in The Trials Of Oscar

The two styles could be said to have meshed in Dr No: slam-bang action plus highstyle dilettantism. As well as bombs and "birds" there were bons mots, even a joke about

Goya.

The mixture of sex, snobbery and derring-do proved so popular that the film's successors could hardly be turned out fast enough.

From Russia With Love, Goldfinger, Live And Let Die and others followed, with several different stars trying on the smirk and black tie after Connery's departure, until the series ran out of lan Fleming titles and had to invent its

🕇 he Broccoli-Saltzman partnership survived for 15 years, helping en route to ensure the survival of the British film industry. The country could thank the Bond series for the inflow of cash and increased employment as well as the revival and refurbishment of Pinewood Studios. The specially built "007 stage" was for many years the largest in the world,

In 1982 Broccoli was honoured at the Oscars with the prestigious Irving G Thalberg memorial award, which has also been bestowed on Alfred Hitchock. Cecil B DeMille and Steven Spielberg. He was also named Commandeur des Arts

government. The honeymoon with Britain ended in 1988 when desnite well-publicised pleas from the Duchess of York, the now independent Broccoli moved production of the 16th Bond film Licence To Kill

abroad Spurning Britain's restrictive union practices and tightened tax policies, he estimated he would shave \$3m (£1.9m) off his \$20m budget by filming in Mexico and Florida. The Bond films have not returned

Broccoli's is one of those careers, though, that would never have settled for a routine happy ending for either him or anyone else. What he preferred, and what his commercial acumen may have ensured, was no ending at all: at least to his most remunerative movie hero.

He left the Bond franchise to his family, secure in the knowledge that the last film Goldenege had been among the most profitable of all.



Helping hand: Roger Daltry (left) appeared subdued beside Gary Glitter's hyperactive presence

# Hyde Park's smile-in

# The Masters of Music spread happiness but little strong emotion, writes Peter Aspden

get to the end of the line before he forgets it, discovers when he gets there that the music is three seconds behind, and consequently lets out a vowel sound of indeterminate nature to fill out the time. Thus in "Just Like Tom Thumb's Blues": "SweetMelinda,the peasantscallherthegoddess of . . . glooceurum. ShespeaksgoodEnglish andsheinvites voumpintoher . . . rocoeuuum.'

For hard-core Dylanologists, these variations of time and space, as in a good episode of Star Trek, are tiny but significant insights into profound happenings. But the rest of Saturday's crowd was left cold, and applauded Dylan with the reverence one reserves for a fine piece in the Antiques Roadshow. Dylan, true to form, said nothing.

of his set was occasionally lovely, "Tangled Up in Blue" and "Don't Think Twice" benefitting from sweet mandolinbased arrangements, but it is hard to forgive the assassination he otherwise inflicts on such superlative songs.

he Who – or rather the three remaining members thereof spared no energy in an attempt to rev up the proceedings. They had not played together on a UK stage for seven years, so the components of this most chemically explosive of bands were fizzing in their test tubes in readiness. But Quadrophenia, receiving its stage premiere 23 years after the album's release, was

never going to be the work to

release all that energy. More

complicated and self-indulgent

than Tommy, it needed prun-ing, although when the band did get going - "The Real Me", "5:15" - there was some magic. The use of actors detracted rather than added to the spec-

tacle, although Trevor McDonald delivered his lines immaculately (has he considered a career as Dylan's voicecoach?) and Gary Glitter's hyperactive performance made Roger Daltry look subdued not surprising as Daltry was sporting an eye-patch to conceal a rehearsal injury. As the odd break began to

appear in the sky, Eric Clapton took the stage to a warm ovation. Here, surely, was the man who would get things moving: but instead we had yet another error of judgment - a shuffling acoustic version of "Layla" when the occasion demanded a full-blown, nolicks-barred blast of the origi-nal. But that is not Clapton's way these days. His stage presence is the polar opposite of Dylan's: smooth, attentive to detail, almost fussy. You could watch on the video screens the number of times he twiddled the volume control on his Stratocaster in mid-solo to get things exactly right. He was accompanied on guitar by the equally smooth Andy Fairweather Low, who used to sing "Bend Me Shape Me" with a wide-eyed sense of infinite possibility but has now been

transmuted into an owlishly cool cultural studies lecturer. Clapton is undoubtedly a Master of guitar-playing. though perhaps not of show-manship. He has gone beyond that preferring to coax his band through the changes. The further back in time they went,

the better they sounded. The Cream material - "Radge" and "White Room" - made a lot more sense than the insipid "Wonderful Tonight", and the blues was terrific. Masters of Music was the first rock concert to be held at

Hyde Park for 20 years. It was

sanctioned by royalty, sponsored by a credit card company, superbly organised, and left 150,000 people smiling into the night. But rock music played by 50-year-olds can only ever provoke smiles. The lead character of Pete Townshend's Quadrophenia has his life turned upside down by music. But like the mods and rockers of Brighton beach, that quaint idea belongs to a different age

Masters of Music, for The Prince's Trust, was sponsored by MasterCard International.

# INTERNATIONAL **ARTS**

# AMSTERDAM

DANCE Het Muziektheater Tel: 31-20-5518117 Het Nationale Ballet: perform Balanchine's The Four Temperaments to music by Hindemith, The Prodigal Son to music by Prokofiev and Symphony in C to music by Bizet. Part of the alanchine Summer Festival; 8.15pm; Jul 3 Pilkamuseum Tel: 31-20-6732121 Edibition

Disegni. Dne eeuwen Italiaanse dienkunst uit eigen bezit: exhibition featuring a selection of 80 drawings by Italian artists from the 15th to the 18th century. Included are works by artists such as Pierio di Cosimo. Sebastiano del Piombo, Frederico Barocci, Carlo Marata and Siembattista Tiepolo; to Aug 4

Neue Nationalgaleric Tel: 49-30-2662662 Georg Baselitz: large

retrospective exhibition devoted to the work of Georg Baselitz. The display includes some 100 paintings and 10 sculptures from European and American collections; to Sep 29

### **■ CHICAGO** EXHIBITION

To be fair, the acoustic part

Art Institute of Chicago Tel: 1-312-4433600 ● Affinities: Chuck Close and Torn Friedman: this exhibition brings together the works of veteran artist Chuck Close and emerging artist Tom Friedman, demonstrating a link between the two artists who share an obsessive working method that results in highly complex surfaces. Alongside Close's often enormous two-dimensional portraits, in which ink dots, fingerprints, circles of pulp paper and painted markings merge into starkly realistic faces, the display features Friedman's sculptures made from the most unexpected, common, and sometimes humorous materials such as a single aspirin, soep, play-doh, pencil shavings, and toothpicks; to Jul 28

# **■ COPENHAGEN**

CONCERT Tivoli Concert Hall Tel: 45-33 15 10 01 Tivolis Symfoniorkester: with conductor/cellist Heinrich Schiff perform works by Dutilleux, Debussy and Ravel; 7.30pm; Jul 4

FRANKFURT

Deutsches Architekturmuseum Tel: 49-69-2128471

 Erich Buchholz (1891-1972). Architekturentwürfe. innenraumgestaltung und Typographie eines Universalkünstlers

der frühen zwanziger Jahre: exhibition of a collection of 70 drawings, created between 1922 and 1928 by the German artist and architect Erich Buchholz; to Sep 8

# **LONDON**

EXHIBITION **Dulwich Picture Gallery** Tel: 44-181-6935254 Dutch Flower Paintings. 1600-1750: this exhibition includes works by Ambrosius Bosschaert, Van Huysum, Rachel Ruysch, Jan Davidsz de Heem and Balthasar van der Ast and are from private collections; from Jul 3 to Sep 29 National Gallery Tel: 44-171-7472885 Decas as a Collector, this

exhibition features Degas' collection of paintings, drawings and prints. The display includes works by Ingres, Delacroix and Manet; to Aug Degas: Beyond Impressionism: this exhibition features the late work

of Edgar Degas, Degas achieved fame with his pictures of the ballet and the racecourse, but he continued to work long after this period, often experimenting with new techniques and subjects; to Aug 26 OPERA Royal Opera House - Covent

Garden Tel: 44-171-2129234 Don Carlos: by Verdi. Conducted by Bernard Haitink and performed by the Royal Opera. Soloists include Karita Mattila, Martine Dupuy, Roberto Alagna and Robin Leggate.

Part of the Verdi Festival '96; 6pm;

### ■ MADRID EXHIBITION

Rema Sofia Tel: 34-1-4675062 Cindy Sherman: exhibition of a selection of some 70 photoworks featuring examples of the "Untitled Film Stills" of 1977-1980 which brought Sherman international recognition. Also on show are works from her most extreme photo-series "Disgust Pictures" (1986-1989), "Sex pictures" (1992) and "Horror Pictures" (1995), the most recent of which have not been exhibited previously; from Jul 8 to Sep 22

### ■ NEW YORK EXHIBITION

MOMA - Museum of Modern Art. New York Tel: 1-212-708-9400 ● From Bauhaus To Pop: Masterworks Given By Philip Johnson: exhibition on the occasion of the ninetieth birthday of architect Philip Johnson, honouring seven decades of contributions by one of the MOMA's most dedicated supporters. The show features paintings, sculptures and drawings, as well as posters, design objects, and architectural models and drawings. In conjunction with the exhibition, Johnson has organized a special installation of works in The Abby Aldrich Rockefeller Sculpture Garden, the space he designed in 1953; to Sep 3 MUSICAL Shubert Theatre

Big: by John Waldman, Richard

Tel: 1-212-239-6200

Maltby Jr and David Shire. Directed by Mike Ockrent and choreographed by Susan Stroman. Leading the 30-member cast is Daniel Jenkins as Josh. Also featured in the cast are Crista Moore, Jon Cypher, Barbara Walsh, Gene Weygandt, Brett Tabisel and Patrick Levis: Mon - Sat 8pm, Sun 2pm, Wed, Sat also 2pm; to Nov 30

# PARIS

EXHIBÍTIÓN Galerie Nationale du Jeu de Paume Tel; 33-1 47 03 12 50 Un siècle de sculpture anglaises exhibition focusing on 20th-century British sculoture. The display includes works by Henry Moore, Barbara Heoworth, Tony Cragg, Richard Deacon, Jacob Eostein, Gilbert & George, Richard Long and Bill Woodrow; to Sep 15

# **STRASBOURG**

JAZZ & BLUES Palais de la Musique et des Congrès Tel: 33-88 37 67 67 Dave Brubeck Quartet: perform jazz music. Part of the Festival de Jazz; 8.30pm; Jul 6

# **SYDNEY**

EXHIBITION The Powerhouse Museum

Tel: 61-2-2170111 Treasures from the Kremlin: the world of Fabergé: five of the remaining Fabergé Easter Eggs designed and created by the Russian isweller Peter Carl Faberoé are among the works featured in this exhibition. The exhibits come from the collection of the Armoury

Museum at The Kremlin and include approximately 250 objects made of gold, silver and semi and precious stones, ornate religious icons, the luxorious coronation gowns of the last Russian Tsar and Tsarina, Nicholas II and Alexandra, and the Tsarina's personal sketch book used to outline orders from the House of Fabergė; from Jul 2 to Sep 20

### **■ VERONA** FESTIVAL

Arena di Verona Tel: 39-45-590109/966/726 Festivai dell'Opera, Balletto, Concerti all'Arena di Verona: annual open air opera and ballet festival in the arena, a Roman amphitheatre that can seat 20,000 people. This year's programme includes performances of the operas Carmen, labucco, Aida and Il Barbiere di Siviglia; from Jul 5 to Sep 1

### ■ WASHINGTON EXHIBITION

National Gallery of Art Tel; 1-202-7374215 Olmec Art of Ancient Mexico: the show provides a panoramic overview of the artistic achievements of Mexico's oldest civilisation and explores their possible significance for Mexican culture. The 128 works on display include 17 Olmec monumental sculptures from Mexico's museums and archaeological parks; to Oct 20

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CNBC:

08.30 Souawk Box

European Money Wheel

18.00 Financial Times Business Toniaht

Michael Prowse · America

# The risks of a crash

Greenspan has stabilised the real economy but may regret his failure to curb a speculative rise in share prices

The betting on Wall Street is Fed has successfully stabilised that the Federal Reserve will the price of goods, just as it not raise short-term interest rates at this week's policy did in the 1920s. But as in the earlier period, it has nassively meeting, but may tighten its watched share prices soar to monetary stance later this summer. This judgment is previously unimaginable levprobably correct, although Mr els. Sceptics, no doubt, will Alan Greenspan is quite capaclaim recent share price rises bear no resemblance to those ble of surprising markets by opting for an early rate in the 1920s: today's gains reflect solid improvements in increase. Having just been corporate earnings whereas confirmed for a third (and surely final) term as Fed chairman, he is more indepenthose of the prior period were purely speculative. Perhaps, but that is not dent of political pressure than

what experts believed at the time. Shortly before the 1929 Conventional reasoning on crash, Professor Irving Fisher rates is easily explained. The of Yale, probably the most role of a central bank is not to respected economist of the curb economic growth; it is to day, declared that share prices keep inflation low, as meahad reached "what looks like a permanently high plateau". sured by increases in consumer prices or some equiva-The market, he explained lent index. The fact that the US economy has rebounded later, had gone up "principally more strongly than expected because of sound, justified this year and will probably expectations of earnings". grow at an annualised rate of Although it would be wrong to exaggerate the parallels, there are broader similarities about 4 per cent in the second quarter should not, in itself, be seen as a source of concern. Growth is bad only if it puts

undue upward pressure on

wages and prices. As severe

strains are not yet evident,

the Fed has no reason to

sound, but it is worth remem-

bering that a central bank's

responsibilities can sometimes

extend beyond the mainte-

nance of price stability at the

consumer or wholesale level.

Think of the 1920s. The Fed

did a marvellous job of stabi-

lising the price of goods, but it

failed to take any action to

curb an extraordinarily rapid

Eventually, the speculative

bubble burst in the great

stock market crash of 1929.

The severity of that crash

almost certainly contributed

to the depth of the subsequent

economic depression. With the

benefit of hindsight, the Fed

should have paid more atten-

tion to equity valuations: if it

had run a tighter monetary

tion, the course of economic

history might have been very

ANNOUNCES

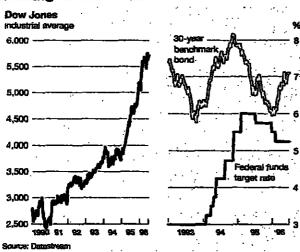
policy and crushed specula-

rise in share prices.

tighten policy.

between the two periods. The 1920s, like the 1990s, was an era of rapid technological change. This boosted productivity growth and business profits - and probably contributed to growing inequality of incomes. Wages did not rise This logic may appear much but prices were stable and there was a sense of grow-

Waiting on the Fed...



ing affluence. As John Ken-There can obviously be no neth Galbraith relates in his "right" answer if only because book The Great Crash, Presithe current level of shares dent Calvin Coolidge's state of the union address in Decemmay turn out to be fully instified by economic "fundamen tals". But if it made a mistake ber 1928 was one of the most it probably occurred last year optimistic on record: "In the Until the end of 1994, share prices seemed plausible in the domestic field there is tranquility and contentment. . .and light of profit prospects and the highest record of years of prosperity. In the foreign field interest-rate trends. It is the there is peace, the goodwill 45 per cent increase since then that looks anomalous, coming which comes from mutual understanding.. as it did at the end of a 12-year The dilemma then and now bull market in equities. Can

is that efforts to stabilise the real economy can contribute to speculative excesses in financial markets. Small investors were lured into financial markets in the 1920s precisely because the business climate looked so promising. The same "I cannot lose" mentality has resurfaced in the 1990s. Net investment in equity mutual funds has risen exponentially because Americans have come to regard them as a kind of super bank account that yields a huge return at little or no risk. In the first five months

the whole of last year.
At what point, if any, should the Fed have taken equity prices into account in setting monetary policy?

of this year equity funds col-lected an astonishing \$124bn,

close to the \$129bn received in

This benign neglect of equity prices may prove justified. Share prices could simply remain on a high plateau. Alternatively, a market correction of just the right magnitude may occur as in 1987, when a sudden drop in equity prices killed incipient inflationary pressures without harming the real economy. But it would be unwise to count on so happy an out-There is surely a prudential

case for trying to induce a modest correction of share prices while the economy is strong, to minimise the risk of a more destabilising collapse later. This would imply taking back the monetary ease of the past year by raising short-term rates gradually. Given creeping upward pres sure on wages and prices, this would also be the right medicine for the real economy

the real value of US corporate

assets really have gone up by nearly a half in so short a

If the Fed had wanted to

stabilise equity markets, it would have raised short-term

interest rates last summer, or

at least held them steady.

instead, alarmed by an appar

ent softening of demand, it

lowered rates. Yet the econ-

omy was not fundamentally

weak: it was undergoing a

temporary "inventory correc

tion" made necessary because

companies had accumulated

excessive stocks of unsold

goods. The monetary stimulus, not needed by the real

economy, went straight into

an already inflamed stock

# ·LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEI 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax we are seen to encourage letters from readers around the world. Letters may be taken in the main international languages to 'fine'), e.mail: letters editor@i.com Translation may be available for letters written in the main international languages.

# Health and safety no ruse to circumvent opt-out

From Mr Steve Hughes MEP. Sir, Lionel Barber's article 'Own goal over extra time' (June 27) suggests that the EU's use of health and safety provisions in Article 118a of the 1986 Single European Act (SEA) as the legal base for its directive on working time looked "to suspicious British eyes . . . like a ruse to circumvent the UK's social

policy opt-out". This should not be allowed to leave the impression that ministers are justified in harbouring such suspicions The UK's opt-out is entirely irrelevant in this context and Mr Major's reported anger at such alleged circumvention can only be of the synthetic variety. Three facts should help clarify the situation.

First, the working time directive was indeed based on the majority-voting social chapter provisions of the 1986 SEA and, as such, it was actually brought forward by the European Commiss months before the UK had even negotiated an opt-out from the separate and much later Maastricht social

chapter. Second, the majority-voting social chapter provisions of the SEA were agreed to by Mrs Thatcher's mid-1980s Conservative government. Those provisions and the directives agreed under them therefore apply in the UK as well as the other EU member

Third, the Advocate-General's recent preliminary ruling (and the expected ruling of the Court of Justice) was on the question referred to the court by the UK government are the relevant provisions of the SEA an acceptable legal base for a directive on working time? The answer so far is yes. This question relates to

provisions which considerably pre-date the opt-out; provisions which a Conservative government subscribed to and which apply unequivocally in the UK. Ministers pretending

otherwise are simply attempting to sow further seeds of confusion and doubt.

Stephen Hughes president of the Europea parliament's social affairs and employment committee. European parliament, Rue Belliard 97-113, B-1040 Brussels.

# Tolerant way forward

From Mr Clive Turner. Sir, So some US writers from the National Bureau of Economic Research have just published a book telling us that workplace bans on smoking reduce the opportunity to smoke and so cut back personal consumption.

What an amazing finding! Is anyone rushing forward to purchase this fount of knowledge with its stunning conclusion? In the UK. similar results might be found were there to be some extensive workplace research. But what it would not necessarily reveal is the degree of illicit smoking, or the extent of the new puritan attitude of frowning upon and outlawing a legal pursuit so that, increasingly, employees gather in little knots outside their place of

work like social pariahs. That said, some of the more enlightened employers provide facilities for both smokers and non-smokers. They have a smoking policy not a total discriminatory ban.

That seems to be the sensible way forward, and, importantly, does not provide a platform for those whose desire is to occupy the moral high ground and dictate personal lifestyle.

Clive Turner. executive director, industry affairs, Tobacco Manufacturers' Association, 55 Tufton Street. London SW1P 3QF. UK

# French monopoly still very much alive

From Mr Rene Jean LeGoff. Sir, As a French citizen, paying a lot of taxes, I have been expecting for a while that the liberalisation of the French economy will dramatically improve my day-to-day life. The Financial Times often mentions the efforts of French state-owned monopolies to establish a more competitive market. However, my experience is that some of these monopolies are still very much alive!

One good example is France Telecom. At the same time as its management is moving the organisation towards

complying with European liberalisation rules, it is doing things which, for a normal customer, are difficult to accept. By July 1, any private customers of France Telecom who have three telephone lines or more - which may well be the case if you have a fax machine and children at home - will be considered as a business and will have to pay a monthly subscription which is double the normal subscription

for a private use. There is no way to escape this other, possibly, than by having one of the lines withdrawn. This is what I am

doing. It is completely crazy. It will probably reduce my telephone bill, but it also reinforces my conviction that, without competition, there is no way clients can be satisfied. State monopolies are like dinosaurs, but before disappearing they are doing so many things wrong that nobody will complain about the disappearance of what they call a "public service".

Rene LeGoff, consultant\_ 11 avenue de Diane. 94100- Saint-Maur, France

# Proof that protest can aid human rights

From Mr Angus W.L. Thomas. Sir. To say in your editorial "Bonn in the China shop" (June 26) that "public German protests will do little to help the people of Tibet" is simply not true. The fact that you chose the subject for your editorial is proof of that.

The situation in Tibet will only change once more governments take on the Chinese not on the territory of human rights but where it hurts them most - trade. A prosperous China will not alter its appalling human rights record nor end its illegal

occupation of Tibet. China is only able to maintain its appalling position so long as it is being funded by international trade.

Angus W.L. Thomas, 29 Chiddingstone Street. London SW6 3TQ, UK

# Of interest, if only it had been available to read

currency . . . if we stayed out,

From Mr Emilio Gabaglio. Sir, Your readers in Britain were able to read last Tuesday that "TUC chief urges Blair to back Emu". John Monks apparently said a number of interesting things, such as that "monetary union was a moment of destiny for the Labour leader . . . the balance of advantage lay in Britain joining the single

the markets would make their judgment that Britain is a potential candidate for devaluation. We would pay an interest rate premium . . . it was time to prepare the public for a decision on Emu and rise above the petty nationalism that was clouding the issue

I say apparently because the

interview, despite having being given in Brussels, was not carried in the European edition we receive. I can assure you it would have been of interest.

Emilio Gabaglio, general secretary. European Trade Union Confederation, 155 Bd Jacqmain. Brussels B 1210, Belgium

Personal View · Donald Tsang

# Hong Kong's four pillars

as a world-class financial centre is guaranteed by its constitution



At midnight on June 30 1997. one year from one year from now. Hong Kong will

undergo remarkable transformation. Britain's last significant colony will become a special administrative region of the People's Republic of China. And yet, if all goes to plan, Hong Kong's way of life will remain

unchanged.
The plan is set out in the Sino-British Joint Declaration of 1984 and the Basic Law, which will be Hong Kong's mini-constitution after the change of sovereignty. Article 109 of the Basic Law is of exceptional importance to the business community.

It states: "The Government of the Hong Kong Special Administrative Region shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre.

I know of no other leading financial centre which is governed by such a constitutional provision to secure the future of its financial services sector. This important undertaking has already done a great deal to attract and anchor foreign investment in Hong Kong, In 1994, the value of foreign direct investment in the territory amounted to US\$95bn (£60bn). In 1995, the capitalisation of the securities market moved rapidly above US\$300bn to confirm Hong Kong's position as the largest securities market in Asia after Tokyo.

It has become part of the conventional wisdom on Asian economic development that early in the next century a new world-class financial services centre will emerge in east Asia. The economic success of the region, its high savings ratios and need to invest in physical and social infrastructure seem to many observers to make such a development inevitable. I agree, and I am sure

The colony's future that this world-class financial centre will be located in Hong

My confidence is based on the way that Hong Kong has established the necessary conditions for success. It takes a lot more than ample husiness opportunities to develop a leading financial centre. Nor is it simply a matter of investing in advanced physical infrastructure, state-of-the-art telecommunications, or even a highly productive and well-educated

In my view, there are four defining qualities of a leading financial centre - four pillars that Hong Kong has and that will underpin its comparative advantage as a financial cen-

The first of these pillars is the rule of law. The law must reign subreme in any successful financial centre. Contracts have to be enforceable, corruption has to be a high-risk activity and the rules have to be both clear and enforced without reference to commercial influence or political clout. The government and all official bodies must be subject to the same laws as the rest of the

This is one of the essential tests of the credentials of any aspiring financial centre. To put it simply, it amounts to asking whether the law does actually rule. Does the statute book take precedence over the actions of the government and its agencies and over the ambitions of those with influence to peddle? Hong Kong is fortunate to

community.

must ensure it provides

Any international

financial centre

equal and equitable treatment for

all, regardless of nationality possess a long-established common law tradition, and this framework will continue after June 30 1997. Hong Kong is, and will continue to be, a law-abiding community. It is a community in which the law is there to be applied and enforced rather than ignored

or circumvented. The second pillar supporting Hong Kong's efforts to create a world-class financial centre is its commitment to enterprise and to fair markets. It is not only a matter of leaving businessmen and women to make business decisions. Of course this is essential, but so too is the regulatory framework which exists to keep the colony's markets fair and

transparent. Any international financial centre must ensure that it provides equal and equitable treatment for all, regardless of nationality, political connections or size of business. What this has meant in Hong Kong is that the government treats all businesses and investors alike, whether they are British, American, Japanese or

This policy of equity and nationality-blindness governs our approach to the procurement of goods and services and to the granting of franchis for example to run public utilities and transport services. The playing field is level in Hong Kong. It will remain level because we know there will be a high price to pay if the field is ever tilted one way or the other.

The third pillar is Hong Kong's corruption-free public service. Hong Kong has refused to compromise with corruption. It has established anti-corruption culture which has been vital to the development of its financial services sector.
Corruption inflates transac-

tion costs, makes returns on investment unpredictable and distorts the price mechanism. Any trading community which allows corruption to impose unpredictable costs on commercial transactions will never establish itself as an important financial services sector.

I believe Hong Kong's economic take off in the late 1970s owed much to the establishment of the Independent Commission Against Corruption. The commission stamped out organised corruption in the public sector and we now have a small, efficient, open and accountable government which is free from corruption.

The fourth pillar underpinning our success as a financial services centre is our commitment to the free flow of information. This is not simply a matter of the free flow of financial data. It demands a commitment to a free, diverse and robust press. It demands too an acceptance of political and social diversity.
International investors need

to know not only how the financial markets are moving on their Reuters or Bloomberg screens. They also need to know what is happening offscreen and in the streets. They need to be able to gauge the relationship between the community and its government.

Investors need all this information because they need to be confident about the political stability of the place in which they have based their operations and investments. An artificially restrained press reflects an imperfect and unattractive market for international investors.

in Hong Kong, we take these issues very seriously. We recognise that what I have described as the four support-ing pillars of our financial services sector are our cutting edge in the international marketplace. We know our success as a leading international financial centre, our success as a community, depends crucially on the promises in the Joint Declaration that our present freedoms and our way of life will be preserved after the change of sovereignty.

I am convinced this is well understood by the Chinese leadership. They have incorporated the Joint Declaration's promises in the Basic Law. They know that Hong Kong's long term success depends if the concept of "one countily. two systems" becoming an economic, social and political reality from July 1 1997. And China's honour rests on this -

The author is Hong Kong's Pinancial Secretary.

# of the Athens Court of Appeal, of the limited liability company "HELLENIC DECORATIVE ROCKS S.A." (Hellenic Lapidis sa) (henceforth referred to

**ASTIKA AKINITA** INCORPORATED COMPANY OF REAL ESTATE CONSTRUCTIONS TOURIST AND RELATED ENTERPRISES

> PUBLIC CALL FOR TENDERS FOR THE SALE OF THE ASSETS OF THE COMPANY UNDER THE TITLE "HELLENIC DECORATIVE ROCKS S.A."

A public call for tenders with sealed, binding offers, for the sale of the total assets of the Enterprise under special liquidation by virtue of article 46a, L. 1892/1990. **ACTIVITIES AND BRIEF DESCRIPTION OF THE COMPANY** The "enterpise" was founded in 1987 under the title "HELLENIC

The incorporated Company "ASTIKA AKINITA S.A." (43 Panepistimiou str.,

105 64 Athens) as a special liquidator by virtue of resolution No 4292/1996

DECORATIVE ROCKS S.A." (Helienic Lapidis sa). The seat of the company according to its articles of association, is the Municipality of Holargos, The object of the company according to its articles of association is the prospecting, search, location, mining, cutting, processing and trade of all types of decorative rocks. Towards attaining its objective, the Company may: a) collaborate with any physical or legal entity having the same or similar objectives, and in any manner b) to participate in any firm with a smilar objective under any corporate title. The company owns one factory located at Lampousa, near the Municipality of Lepoura, Prefecture of Evia,

which it operated up to March 30, 1996, when it came under the special liquidation provided by article 45a. L. 1892/1990 by virtue of Decision no. 4292 of the Athens Court of Appeal by which "ASTIKA AKINITA S.A." was appointed special liquidator. The assets of the company under liquidation include a fully equipped industrial unit, constructed on a site with a total area of 44,783 sq.m. and located at Lampousa, Municipality of Legoura, Prefecture of Evia, on the 15th N.m. of the Aliven-Kyrmi regional road. The industrial unit consists of an industrial building with an area of 2,362 sq.m., a building housing the Power Corporation sub-station with an area of 148 sq.m., a unit for the recycling of industrial water, pumping-station, well, and other special installationsconstructions and development of the surrounding area serving the

any interested party to receive the offer memorandum and submit a sealed, briding offer accompanied by a letter of guarantee by a Bank operating lawfully in Grecce, amounting to the sum of lifty million drachmae (Drs 50,000,000) with the contents described in the offer memorandum.

operational requirments and security of the industrial unit

TERMS OF THE CALL FOR TENDERS 1 The public call for tenders will be carried out according to the provisions of article 46a, L. 1892/1990 which was added to the law by virtue of the provision of article 14, L. 2000/91, as it has been amended, completed and as it currently applies, the terms included in the present call for tenders and the terms of the other memorandum, which interested parties may obtain after submitting a pledge of confidentiality in writing.

 ${\mathfrak L}$  in order to participate in the call for tenders, interested parties are invited to deliver a sealed, binding offer in writing by 11:00 on Monday, July 22nd, 1996 to the Athons notary public Mrs Maria Sexoni-Vlassaid, ss str., 6th floor, 106 79 Athens, tel.: (+301) 361.0628.

3 The offers and the letter of guarantee must be delivered in a sealed, opaque envelope by the interested party in person or by his authorized

4. The offer must mention clearly the amount offered for the purchase of the total assets of the company under liquidation and must not contain any terms . options or vague phrases which might create uncertainty as to the t or the manner of payment of the sum being offered or other matters

related to the sale. 5. Overdue offers will not be accepted and will not be considered. The

binding nature of the offers will apply until the award of the sale. 6. The assets of the company and all the elements of which they consist, such as real estate, moveable objects, name, claims, title, rights, etc. will be sold and transferred "as and where they are", i.e. in their real and legal condition and at the place where they are located on the date of signing the contract of sale.

7. The liquidating company and the creditors representing 51% of total claims against the company (para. 1, article 46a, L. 1892/1990 as it currently applies) are not liable for any legal or real defects or the leck of any attributes of the objects and rights being sold, nor are they liable for any omissions or naccuracies contained in the offer memorandum and any correspond

8. Interested potential purchasers are obligated, under their own supervision, and by their own means, expenses and personnel, to investigate and acquire a personal perception of the objects being sold, and to mention in their offer that they are tully informed as to the real and legal condition of the assets under sale.

9. The liquidator and the creditors mentioned in para. 7 above are entitled, according to their own judgement, to reject offers containing terms and options, or contain the other omissions mentioned in para. 4 of the present, ss of whether they are superior to other offers as regards the

In any case, the creditors have the right, in their ludgement, to reject offers that include terms or clauses, even if these are superior to other offers, as well as to consider these terms non written and thus the offer remains binding according to the rest of its context (article 2, para. 3, L. 2302/1995).

10. In the event that the successful bidder violates its obligation to come forward and skin the relevant contract within ten (10) days from the invitation by the liquidator and observe the obligations arising from the present announcement, the letter of guarantee is declared forletted in wour of the liquidating company, towards covering all its expenses of any type and its services, as also any direct or indirect damages, without the necessity of proving specific damage, and as a penal clause in layour of that company, deemed as having been submitted with the offer, so that it can be collected from the Bank issuing the guarantee. The letters of guarantee will be returned, tollowing the evaluation report of the liquidator, and especially to the successful bidder following the payment of the amount and the drafting of the payment order.

11. The seals of the offers will be broken by the notary public n above, at her office, at 13.00 on Monday, July 22nd, 1996.

12. The successful bidder will be the party whose offer will be judged by the liquidator and approved by the creditors mentioned in para, 7 of the preas being the most adventageous for the "enterprise" creditors.

13. The liquidator will notify the successful bidder in writing of his obligation to come forward to the place and at the time determined in the notification, for signing the contract transferring the essets, according to the terms of the offer and any improved ferms that may be indicated by the creditors and 14. All costs from the participation in the tender and the transfer (tax, stamp

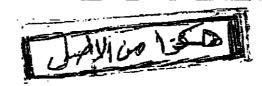
duty, notary public's fees, registrar of mortgages, V.A.T., announcements etc.) will burden exclusively the bidders and the successful bidder 15. In the event of part of the purchase price being on credit, the successful bidder will be obligated to provide any guarantee that may be requested by the liquidator according to his own, exclusive judgement, and will be

formation of such guarantees and their termination. 16. The liquidator and the creditors will not bear any responsibility or liability 10, I'll injudeable and the declarity's will tak bear any responsibility or applied against those who will participate in the tender as regards the evaluation of the offers, their recommendation of the successful bidder, the decision for the repetition or cancellation of the tender and any other decision relevant to the procedure and realization of the tender.

burdened with all related expenses, costs and lees required for the

17. The present announcement has been drafted in the Greek language ated into the English language. In every instance however, the Greek text will prevail.

Interested parties may collect offer memorandum and receive other infomation from Mr. Gerassimos Christopoulos and Mr. Vlassis Arvanticlis, 43 Panepistimiou str.. 105 64 Athens, tel. nos: 326,6115 and 326,6110, tex no:



Unit labour costs in USS

Exports as % of real GDP

Canadian/US inflation

## **COMMENT & ANALYSIS**

# FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday July 1 1996

# Test ban talks in trouble

At the Group of Seven summit in Lyons, there was much glib talk of a partnership between the indus-trialised and developing worlds. But future historians may conclude that the real balance of global power was being fought out in other places, such as the Geneva talks on a Comprehensive

Test Ban Treaty.
The failure of the CTBT talks to reach a conclusion by the agreed deadline of last Friday was an ominous reminder of the huge gap in perceptions between the world's old, established powers and its new, rising ones. No less than the economic questions debated in Lyons, the future of nuclear weap-

ons is a crucial north-south issue. The CTBT talks foundered after the refusal of India to renounce nuclear tests unless the five declared nuclear powers accepted a timetable for total nuclear disarmament. This led to deadlock over the terms on which a CTBT should enter force.

Russia and China insisted that the treaty should only become binding after ratification by the five existing nuclear states plus three countries on the threshold of nuclear status: India, Pakistan and Israel.

India's demand was so unrealistic that it appeared to be an excuse to avoid signing up. But the terms in which India presented its argument are a good illustration of the grievances that many developing nations feel. They cannot accept that five countries should indefinitely enjoy the

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OUT

nations are indefinitely denied it. Like the G7, which overrepresents Europe and under-represents Asia, the world's nuclear system looks in many lights like an anachronism, based on yesterday's world order. But unlike the G7, the current nuclear club cannot be expanded without dire and possibly uncontrollable

consequences.

Given that the nuclear status quo is unacceptable to many comtries, there is only one alternative: established nuclear powers must show minimal good faith in nego-tiating downwards their own arsenals, and avoid fuelling the suspicion that they would secretly prefer to go on improving their

nuclear capacity.
France aroused that suspicion with its tests in the Pacific, and Britain may inadvertently have done so by backing Russia and China in their tough terms for the CTBT's entry into force.

The CTBT negotiators reconvene in one month for a final attempt to agree in time for the UN General Assembly in the autumn. They should be prepared to accept a compromise that would allow the treaty to become valid before India ratifies it. While it is obviously desirable for the treaty to be as inclusive as possible. India's obstinacy should not be an excuse for others to abandon their commitment to ending nuclear tests. If the talks collanse the damage to international relations will be too great for any wor-

# Turkey's choice

Tast Friday, June 28, 1996, is likely militants, and to preserve the continuity of Turkey's pro-western point in Turkish history. Ever since the republic was founded by Mustafa Kemal Atatürk in 1923, secularism has been seen as an integral component of Turkish nationalism, and since 1937 it has een omcially ensurin constitution as one of the fundamental principles of the state. But now a government has been formed by the leader of a party whose political philosophy is explicitly based on Islam. Has the

clock been put back to the 1920s? Hardly. Turkey has changed profoundly since then. The new prime minister. Necmettin Erbakan, and his supporters are themselves children of the secular republic. They have come to power through the ballot-box, and are pledged to respect the constitution. They will be held to that pledge by their coalition partners. by the president, and above all by the armed forces. The latter have acted wisely, if reluctantly, in respecting the wishes of the electorate as expressed in last December's election - and have thus avoided the grievous error of their

Algerian counterparts in 1992. Tansu Çiller, prime minister until four months ago, returns as deputy premier and foreign minis-ter. Her True Path party will also control the interior, defence and education ministries. Its role will be to protect the police, the armed forces and the school system from further infiltration by Islamist

tinuity of Turkey's pro-western foreign policy. Unhappily, that means there will also be continuity in the state's intransigently nationalist response to the demand for recognition of a separate Kurdish identity and culture. with its attendant human rights

violations, will go on. Meanwhile, Mr Erbakan's Wel-fare party, through its control of the relevant ministries, will seek to give an Islamic slant to Tur-'s official culture and its judicial system. More important, it will control the economy and public spending. This is good. A party which hitherto has exploited economic grievances with skilful but shameless populism will now have to make real political choices.

Either it will make the hard decisions which Turkey desperately needs, taking drastic action to reduce the public sector deficit (which means cutting the size of the public sector itself), or it will seek to gratify its supporters through public expenditure, as Mr Erbakan did when he was industry minister in the 1970s. In the former case, it should be well placed to convince the public that such measures are really necessary. In the latter, it will swiftly bring about hyperinflation and the collapse of the currency, but in the process will demonstrate that it has no miracle cure for the country's ills. Either way, the lesson will be painful but salutary.

# Turning over a new leaf After serious economic and political difficulties there is now

guarded optimism about Canada's future, says Bernard Simon

Government spending as % of real GDP

Employment in public

total employment

administration as % of

ust nine months ago, Canada was in convulsions. Politi-cally, the referendum on Quebec independence threatened the unity of the country, with the secessionists gaining ground. Economically, Can-ada was burdened by high debt, an intrusive public sector, sky-high taxes and a weak currency.

Academic think-tanks and invest-

ment banks warned of the dire consequences of a "Yes" vote in Que-bec. It would deliver such a shock to Canada's economy, they predicted, that an industrial country might for the first time default on

Such scenarios seem like ancient history as Canada celebrates its 129th birthday today. The separatist threat has receded and the economy is beginning to reap the benefits of

fiscal and monetary discipline.

Quebec's independence poll on
October 31 gave the pro-Canada
camp the narrowest of victories, with just 50.4 per cent of the vote. Many commentators saw the indecisive result as a recipe for further turmoil. They feared the separat-ists, with a charismatic new leader, Mr Lucien Bouchard, had the bit between their teeth. The federalists seemed to be in disarray.

Yet just over a week ago, Mr Bou-chard sat down with Mr Jean Chrétien, the federal prime minister, and the premiers of the other nine provinces to discuss a federal infrastructure programme, a joint trade mission to Asia and other ideas for building a better Canada. Mr Bouchard even said he enjoyed the

The premiers spent only a few minutes talking about the constitution. The most discordant note came not from Quebec but the west coast province of British Columbia, which blamed Ottawa's fish-quota policies for devastating its rich salmon fishing industry.

The contrast between October 1995 and now helps explain why many investors are taking a second look at Canada. "Sentiment in both currency and credit markets has begun to turn more positive in recent months," said Goldman Sachs, the US investment bank, in a recent report. "We believe room for further improvement exists through this year and into 1997."

Mr Paul Summerville, chief econ-Toronto securities firm, predicts the current account of the balance of payments, which ran a C\$13bn (26bn) deficit in 1995, will be in surplus by the end of next year. Exports, buoyed by the 1989 US-Canada free trade agreement, improved productivity and strong US demand, have soured from 28 per cent of gross domestic product in 1990 to 42 per cent in 1995. Mr Summerville forecasts the

Canadian dollar, now at 73 US cents, will be at parity with the US currency by the end of the decade. "This is a sustained event," he says.

The optimism is reflected in financial markets. Despite the conventional wisdom that Ottawa's monetary policy is a slave to the Federal Reserve in Washington, the Bank of Canada has acted independently of the Fed three times this year, pushing short-term interest rates well below US levels. Canadian banks charge a prime lending rate of 6.5 per cent, compared with 8.25 per cent south of the border. Bond yields remain significantly higher in Canada, but the gap has narrowed by a full percentage point since the scare ahead of the referen-

dum. Foreign purchases of Cana-

dian bonds in April were the highest in three years. Foreign funds are also pouring into stock markets. Growth has been slower than the

US for the past few years, with gross domestic product expected to expand by only about 2 per cent in 1996. Far from being a sign of weakness, however, the lag could lay the formation for a solid performance. According to Mr Summerville, the economy is in the throes of a fundamental restructuring, with the emphasis shifting from personal and government consumption to exports and investment.

The inflation rate, running at a year-on-year L5 per cent, is substantially below US levels. Unit labour costs have dropped by about a fifth in the past four years to well below those in the US. Inflation is likely to remain low for some time with substantial spare capacity in the economy and unemployment at over 9

per cent for the past six years.
On the political front, Mr Bouchard has given the pro-Canada camp a breathing space by pledging to delay the next referendum on Quebec independence for at least three years. Mr Bouchard, who took over as premier in January, has shed the image of a flery separatist in favour of a fiscal conservative. He sensed the Québecois are unlikely to want a risky political adventure until the province's econ-

omy is in much better shape. Repairing public finances and restoring business confidence especially in Montreal - have become Mr Bouchard's top priority, even at the risk of alienating some of his staunchest supporters in the public sector unions. The government ordered the closure of several hospitals, plans to axe thousands of civil service jobs, and has angered women's groups by putting a proposed pay-equality law on hold. Fiscal discipline has become a watchword at all levels of government. According to Goldman Sachs, the general government deficit will shrink from 4 per cent of GDP in

**ECONOMY** 

1995 to 1.2 per cent in 1997. Goldman Sachs concludes that, 'based on reasonable assumptions' Ottawa will achieve a balanced budget by US accounting standards

within the next three years. Most of the 10 provinces expect to balance their books this year. The two laggards. Ontario and Quebec, which between them make up about two-thirds of national output, have nledged to eliminate their deficits. by 2001 and 2000 respectively. Alberta, which was the first province to put the brakes on its budget

deficit, last week unveiled a C\$1.1bn

surplus for 1995-96. The squeeze has been felt most acutely by municipalities, which are caught between shrinking transfers from Ottawa and the provinces, and the refusal of voters to countenance further tax the country are bringing in private partners to run services ranging from water and sewage systems to community centres.

They are able to do so because public attitudes towards the role of government have changed markedly in recent years. Privatisation and foreign ownership are no longer dirty words. Canadian National Railway, the biggest federal corpo-ration, was sold late last year to private investors, with no restrictions on foreign participation. A commission of inquiry last month urged Ontario's new conservative government to end the electricity monopoly held by Ontario Hydro, North America's burgest power utility. The proposals include the sale of Hydro's non-nuclear assets.

Some provinces have cut welfare benefits and introduced "workfare" programmes that require welfare recipients to work or undergo training. Public protest has been muted. Interest groups such as unions and anti-poverty organisations that resisted social policy reforms in the 1980s have lost influence.

ow long can this benign economic and political climate last? Economists at Bank of Nova Scotia warned last week that the Bank of Canada would be "hard-pressed" to buck the Fed when US interest rates started moving up. as they

might in the next month or two. Similarly, the federal government and the provinces will have greater difficulty sticking to their budget targets in the next economic downturn if tax revenues shrink and welfare payments rise. This is espe cially true in the industrial heartland of Ontario, where the government hopes to produce a balanced budget even as it implements sizeable tax cuts.

The politicians' resolve to keep spending under control could slip. Voters in British Columbia reelected a social democratic government last month on a platform of lower taxes and higher spending. jobs by pumping federal funds into local infrastructure projects appears to be an opening shot in the cam paign leading up to the next federal election, expected next year. The purse-strings could loosen further if economic activity remains in the doldrums.

Furthermore, tension over Quebec could rise again without warning. The prospering western provinces of British Columbia and Alberta have become increasingly assertive about protecting their own interests, widening the odds on a constitutional deal acceptable to all parts of the country.

While Mr Chrétien hopes the Québecois will get the message that the federation can work to their advantage. Mr Bouchard remains as committed as ever to independence. The chronological priority is the

economy, the fundamental priority is sovereignty," he said in April. He aims to prove that Canada can never deliver what the Frenchspeaking province wants, no matter how much willingness be shows to work within the federation. His determination to prove his point could yet unravel much of the past year's progress.

# Lessons at Wickes

Corporate governance has been one of the great growth industries of the 1990s. Many in the British boardroom feel that there is far too much of it about. But while this instinctive hostility to bureaucratic procedure is understandable, it remains misguided. The point is well illustrated at the troubled do-it-yourself retail group Wickes, whose chairman and chief executive Mr Henry Sweetbaum resigned abruptly last week after the discovery of serious accounting irregularities.

A classic syndrome that crops up in successive corporate disasters is that of the over-dominant boss. Frequently he combines the roles of chairman and chief executive. He may also be hard-driving and charismatic. And it is not unusual for such people to have a happy knack of turning up in flattering profiles in the Sunday press. That syndrome accompanled many of the failures that shocked the business establishment into setting up the Cadbury Committee on corporate governance. It is also a description that fits the Wickes case rather well. Mr Sweetbaum was once an associate of the maverick US financier Mr Saul Steinberg, and

went on to acquire a reputation

for turning around troubled com-

panies, it was he who steered

Wickes to the stock market after

its US parent went into bank-

ruptcy proceedings in the early

1980s. Mr Sweetbaum subse-

quently hit trouble with an ill-

judged acquisition in the over-heated markets of the late 1980s. Yet this did not prevent him from stablishing a following among the investment institutions. The Cadbury Committee was

hostile to the concentration of power in the hands of a single individual. It proposed that where the chairman is also the chief executive it is essential that there should be a strong independent element on the board". At Wickes, the ages of the five nonexecutive directors last year averaged 65; the oldest, Mr Sanford Kaplan was 79. Among them were such former colleagues of Mr Sweethaum as Mr Sanford Sigoloff, until recently chief executive of Wickes in the US, who was a favourite client of the (now dis graced) junk bond financier Michael Milken. Two of the three nonexecutives on the audit committee were septuagenarians. Whatever the individual merits of the Wickes non-executives, this was not a perfectly balanced board.

Full judgment must await the accountants' reports. But the coincidence of imperfect governance arrangements, financial problems and big bonuses based on questionable profits is striking. This was a board that could and should have been strengthened through institutional pressure. It all serves to demonstrate that governance can make a big difference to shareholder returns. Cadbury's wisdom merits more plaudits than it customarily receives.

Mr Image gets dented

■ Internal recriminations in Brussels about the European Commission's poor showing at the Florence summit are still rumbling on more than a week after the

Last week at the regular meeting of Brussels directors-general (the top civil servants serving the 20 EU Commissioners) one described media reports on Jacques Santer's summit performance as "catastrophic"

Others registered disbelief that Santer had staked all on a request for an extra Reulbn for financing European transport networks, a request that ended up being hlocked by tight-fisted Germans and bolsby Brits. Santer loyalists retorted that a Commission president should not be attacked for taking political risks.

The real point is that none of those networks is near launch stage, and none is likely to create jobs any time soon. Money isn't the problem; there is simply not enough confidence in the private sector that projects such as the rallway/metorway through the Brenner tunnel are financially

. By comparison, the summit commitment to improving enforcement of the single market, prising open world markets, and specifing up labour mobility -

though less eye-catching - is far more important. Santer, a former Luxembourg finance minister, is supposed to understand all this.

OBSERVER

Maybe he does. But his advisers have another agenda. They want to bolster his public image and make him a player alongside Kohl, Chirac et al. That's why they toughened Santer's criticism of British prime minister John Major's blocking tactics during the beef war, and why they gambled on the transport networks funding. As one put it even had news about the president is better than no news. After Florence, that no longer hooks so smart, nor so true.

Clockwork mice

■ You only have a little over three years in which to adjust your clocks; otherwise they might go beng. Who says so? No less than Ian Taylor, the UK's science and technology minister.

Taylor has been having sleepless

nights about the so-called Year 2000 Problem - when computer systems which use only the last two digits of the year may crash because they cannot cope with the century date change from 99 to 00. Some might decide it's 1900 all over again; others might shut down in a

fit of pique. It's potentially one of the higgest problems faced by industry, public services and the military around the world, and according to some

estimates could cost up to \$600hn

So last week Taylor toddled off to Luxembourg to see Martin Bangemann – the European Union's industry commissioner and several EU industry ministers.

Although the computer world has been buzzing with talk of the Millengium time-bomb for months now, Taylor's warning clearly came as a shock to Bangemann: "To my knowledge there is no work being done in the Commission about this problem,

So Bangemann is calling for an examination of the problem with experts from member states, and the setting-up of a working party if necessary. That's nice, should be reporting back just in time to solve the problem for the year. . . 3000.

Bush on the green ■ When George Bush lost the US presidency in 1992 he had little idea it would have such a traumatic effect on his golf game.

Speaking at a business seminar in Hong Kong last Friday, Bush said that there were some advantages of returning to the status of a more or less ordinary citizen, notably that he can "go to a ball game now and not get

But on the golf course, it's rather different it seems. "Playing golf as the president they would say 'that's good sir, that putt's fine.

Take it, put it in your pocket'. Now I play with the same people (and they say) damn it George, hole it

Actually, they used to say that when he was president - just very

### Labour lobbying The Belgian Michel Hansenne

still has another two years to go as director-general of the Genevabased International Labour Organisation, but the lobbying for his replacement has already begun. As such juicy jobs don't come round very often perhaps we shouldn't be surprised to see this kind of unseemly jostling. And in this case the lucky person

is. . . none other than Ireland's president, Mary Robinson. She's the hot favourite of the trade unions, who make up one of the three parts of the body (alongside governments and employers). Immensely popular, with a centre-left background and a strong following in the US.

Robinson's own term of office ends at about the same time as Hansenne's. More to the point she's aiready made it clear she doesn't want a second period as trish president. She's already said that she

doesn't want to challenge Boutros Boutros-Ghali for the top job at the United Nations. Maybe she just prefers Geneva to

# Financial Times

### 100 years ago The Presidential Campaign

Mr. McKinley, in response to formal notification of his nomination by the St. Louis Convention for the office of President of the United States, said: "Protection and reciprocity should again command the earnest encouragement of the Government. Domestic trade must be won back; idle working people employed in remunerative occupation for American wages. It is a paramount duty to provide adequate revenue to meet the expenses of Government. The American people hold the financial honour of the Government as sacred as their flag, and can be relied upon to guard it with the same sleepless vigilance."

### 50 years ago Mr. Truman's Veto

The U.S. House of Representatives has sustained President Truman's veto on the Bill to continue the Office of Price Administration (with reduced powers) by not giving a motion to override the veto the necessary two-thirds majority. Thus, unless Congress acts in the meantime, there will be no price or rent control in the U.S. after midnight to-morrow when the existing Act expires. The President said that the Bill as passed by Congress would make it impossible to prevent

lajer, Steels

Wells Northeader

# Institutions press for TransCo 'deal'

By Robert Corzine in London

Institutional investors are set to heighten pressure on Ofgas, the UK gas industry regulator, to "do a deal" with British Gas to avoid tough price control proposals for the TransCo pipeline division being referred to the Monopolies and Mergers

A series of meetings which began last week between key institutional shareholders and

Ms Clare Spottiswoode, the Ofgas director general, will continue over the next few days. But Ofgas officials are reluctant to do any deal that would cost consumers money.

Ofgas has proposed a pricing formula for pipeline charges that could reduce the average household gas bill by £30 (\$45) a year, or about 10 per cent. British Gas says the proposals are unrealistic and would slash TransCo's cashflow and "undermine" its finances. including its dividend

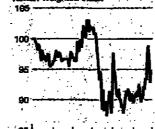
Many institutions fear the company's shares will become a "dead stock" during the six months to a year that would be needed for an MMC inquiry. Some have threatened to call an extraordinary general meet-ing to force through rule changes that would amount to an "investment strike" at TransCo.

The pressure from fund man-

proposal to reduce the valua-tion of TransCo's regulatory agers follows protests from individual shareholders, 35,000 asset base from £17bn (\$25bn) to between £9bn and £11bn. of whom complained to Ofgas about the proposals. The opposition appears to have had

More meetings between the company and Ofgas are scheduled for later this week. But BG says any compromise settiement could be scuppered by Ofgas's refusal to allow the company access to two key consultants reports, upon which many of the proposals

China Airlinea



CAL was founded in 1959 by the Taiwan stock exchange in 1993 and by removing the national flag from its livery in October 1995 – a move also motivated by a desire to please

China, which considers Taipet a rebel government. The carrier has embarked on

an aggressive expansion and diversification programme, building and upgrading its fleet. It has also taken a 33 per cent stake in another domestic carrier, Formosa Airlines.

will raise just under L1.000bn for further expansion through the issue of new shares. Fininvest's stake will come down from 71 per cent to 50.1 per cent immediately after the offer, and below 50 per cent if minority shareholders later British Gas Energy is currently piloting a number of financial services schemes.

exercise options to buy more hares from Fininvest. Mediaset's minority shareholders include Italian and foreign banks; Kirch, the German media group; Nethold, the media company controlled by the Rupert family of South Africa; and Albacom, the Italian telecoms joint venture between British Telecommunications and Banca Nazionale del Lavoro. They paid L6,875 a

Mediaset

share offer

price set

at L7,000

Mediaset, the Italian media

group controlled by Mr Silvio

Berlusconi, has set a price of

L7,000 a share for the public offer and institutional placing

of shares which opens tomor-

row, just below the top of the

According to those close to

the transaction, the offer is

already on course to defy the pundits who have drawn

attention to the judicial and regulatory uncertainties which have dogged the flotation.

The institutional placing,

which will account for at least

158m of the 253m shares sold

in the initial offer, is said to

be seven or eight times over-subscribed by Italian and for-

elgn institutions. Small Italian

shareholders, who have been bombarded with advertising

on Mediaset's three commer-

cial television channels, have

already reserved 360m shares,

against a maximum of 95m

The price will value the

whole company at L8,256bn

(\$5.4bn), if the over-allotment

option to issue more shares is

exercised by the offer's global co-ordinators, Imi of Italy and

Mr Berlusconi, a former Ital-

ian prime minister and now leader of the opposition, will

receive just over L1,000bn

through the sale of shares by

Fininvest, his private holding

company, and Mediaset Itself

Morgan Stanley of the US.

available to the public.

target range.

## **NEWS DIGEST**

# Gemina's 1995 accounts approved

Shareholders in Gemina, the Italian investment company, have approved what the group's chairman described as "this damned balance sheet" for 1995, despite the reservations of the internal auditors and sharp criticism from small investors. Saturday's six-hour shareholder meeting came a day after the latest adjustment to Gemina's full-year result for 1995, to cover new "anomalies" discovered at two financial subsidiaries. Having increased its risk reserves, Gemina finally declared a consolidated loss of L694.5bn (\$453m), against the loss of L631.6bn originally announced.

Paribas of France has sold its 2.1 per cent stake in Gemina, the meeting revealed. Gemina confirmed it had paid three former managers, including the former managing director, between L1.7nn and L2.7nn each after they claimed L46nn for "hiological damage" caused by the company's problems.

### Assicurazioni Generali ahead

Assicurazioni Generali, Italy's largest insurer, said it generated an increase of 8 per cent in non-life premiums in the Italian market and 12.5 per cent in life premiums in the Italian market and 12.5 per cent in life premiums in the first five months of 1996. Mr Gianfranco Gutty, managing director, said profits on sales of securities were L180bn against L18bn in the same period of 1995, while L165bn came from the sale of the same period of 1995, while L165bn came from the sale of the sale of the same from the sale of warrants of its subsidiary Alleanza Assicurazioni. Generali's Belgian units received 1.322bn from the divestment of assets deriving from an agreement reached in January with French insurance group Axa. For 1996, Generali expects a 10 per cent rise in investment income, Mr Gutty said

Generali's long-standing link with Axa has been the subject

of much speculation. Mr Antoine Bernheim, chairman, said the Italian insurer had not decided whether to sell its 11 per cent Axa stake, worth L1,700 at today's stock market prices.

### Wickes describes secret files

Secret files handed over by a sacked buyer of UK DIY retail group Wickes in the Netherlands provided the first evidence of false accounting within its UK retailing division. The company said the existence of the files, given to a senior executive of the Netherlands subsidiary, was reported to Mr Stuart Strad-

ling, group finance director, on June 18.

They contained a large number of documents in Dutch but also some letters from British suppliers which, according to Wickes, were offering to provide false documents to persuade auditors that correct accounting procedures had been followed. Once the full extent of the problem was realised, the company issued a warning to the stock exchange last Tuesday. It subsequently called for its shares to be suspended after they slumped 40p to 69p. Mr Henry Sweetbaum, chairman and chief executive, resigned the next day. It has been estimated that operating profits since 1990 may have been overstated by at Andrew Taylor, London least £15m-£20m (\$23m-\$31m).

### United Utilities incentive scheme

United Utilities, the UK's first multi-utility, is set to replace executive share options and annual bonuses with a new incentive scheme, following a review of executive pay prompted by last year's Greenbury report on executive pay. At the same time, the group's remuneration committee has agreed increases of up to 25 per cent in the basic salaries of both Mr Brian Staples, chief executive, and Sir Desmond Pitcher, chairman, as a result of the extra responsibilities caused by the enlarged nature of the group. Jane Martinson, London

# **Investors** in CFF look at legal moves

By Andrew Jack in Paris

Shareholders in Crédit Foncier de France, the troubled prop-erty lender, are considering legal action against the board of the group as a result of its conduct at its annual general

meeting last Friday.
Ms Colette Neuville, head of Adam, the association for the defence of minority shareholders, said she was consulting wyers about the possibility of launching a complaint to the Paris commercial court.

Her action follows the decision of Mr Jérôme Meyssonnier, governor of Crédit Foncier, and his board, to force through a vote on the group's accounts during its annual general meeting while postponing a resolution on a reduction in its capital.

Templeton, the US investment fund which is the largest shareholder with nearly 10 per cent, triggered a suspension of the annual meeting when it called for a delay in approval of the accounts.

It and other shareholders had raised questions about the size of Crédit Foncier's pro-posed FFr13.6bn (\$2.6bn) in provisions, which will trigger a FFr10.8bn loss for the year and wipe out most of the value of the group's share capital. Ms Neuville believes the provisions are at least FFr5bn too high. "What happened was scandalous," she said. "I am ashamed to be French. Nothing functions in this country. The message is that it is not wise to invest in French companies - certainly if the state

# China Airlines looks abroad to forge strategic alliance

By Laura Tyson in Taipei

China Airlines (CAL), Taiwan's leading carrier, is seeking to forge a strategic alliance with a large international concern to build financial and operational capacity and prepare for the eventual opening of direct flights to China.

The carrier's holding company, the China Aviation Development Foundation, plans to sell roughly 200m shares, or 16 per cent of the company's shares, for some US\$300m. The foundation now holds 82.5 per cent of the company's shares, with the remainder held by employees or traded in the stock market. Potential partners have been short-listed and the size, price

and timing of the deal are expected to be finalised by Sep-

WEEKEND

Saturday and

comment on

Sunday

**SHARE WATCH** 

Tottenham Hotspur, the quoted north London football

club, yesterday said it would

resist a claim of up to £20m

from former manager Mr Terry

Venables. According to The

Independent on Sunday, Mr

Venables believes he missed

out on the sum as a result of

his split with Tottenham three

years ago and he plans to go to

might be from China appears unfounded. It is understood the carrier is seeking a "top-tier western or international firm" with strong financial resources and good relations with the

Wheelock NatWest, the investment banking joint venture formed in October 1995 by the Hong Kong trading house and the UK bank, is one of a number of concerns, both Taiwanese and international, that have been approached by CAL to advise on the deal. Confirming it was in talks with CAL, Wheelock said that

if it were appointed to broker the share placement the fee would be about US\$6m. Shares in CAL closed at T\$42.80 on Friday, up T\$2.80. As Taiwan's largest carrier, CAL is in a strong position to

court claiming all or part of it.

The newspaper said the fig-ure of £20m reflects the rise in

the value of the club's shares

since he left the club following

a dispute with the chairman,

Mr Alan Sugar. The club said:

'We first heard about this in

August 1993 and we have heard

pretty much nothing about it

since. We await developments

with interest but will resist

Amstrad, the computer and

digital telephone group run by

Mr Alan Sugar, chairman of

Tottenham Hotspur, the foot-

ball club, is to inject Amstrad

Consumer Electronics into

Betacom, the telecommunica-

tions manufacturer which is 67

per cent owned by Amstrad.

any such claim

said on Wednesday that CAL was among 29 listed companies to be downgraded due to what called their poor profit performance over the past four

some impact, with both sides suggesting that there is grow-

ing flexibility on a number of

But there are at least two

areas where the two sides

remain deeply divided. One is the treatment of depreciation

and the other is the regulator's

access to China's aviation mar-

ket once direct cross-strait

flights, severed in 1949, are

The Taiwan stock exchang

retired air force personnel and until recently its operations were heavily influenced by the Taiwanese government and the ruling Nationalist Party. However, Taiwan's political environment has changed signifi-cantly in recent years and the company no longer has close links with the government. The carrier has taken steps to dispel perception of govern-ment affiliations, by listing on

The move, reported in both The Sunday Times and Sunday Telegraph, comes in advance of the planned £284m bid by Psion, the handheld computer manufacturer, for Amstrad.

ACE to Betacom. It has been ossmaking for three years. British Gas Rnergy, the trading arm of British Gas, yesterday confirmed reports in The Sunday Times that it is to launch a financial services igint venture with HFC hank called Golden Eagle. The

announcement has reinforced

speculation that the partners

phone group confirmed it will take a provision in its accounts

for the year to June 30, to

cover the costs of transferring

intend to launch a credit card offering discounts on gas bills. HFC bank already runs the GM Card, which offers money off purchases of General Motors Vauxhall cars. The computer and digital

> Bell Cablemedia, the UK's third-largest cable operator, is launching a price war against British Telecommunications by cutting telephone charges to residential customers, according to the Sunday Telegraph. The company confirmed the report. It has been undercutting BT by between 10 per cent and 15 per cent and the campaign which starts today will mean a further 10 per cent cut.

# FINANCE

# Morgan Stanley fills its expertise gap

Maggie Urry on the Van Kampen deal's relevance

Morgan Stanley's deal last week to buy Van Kampen American Capital for \$745m (£486.9m), plus \$430m of debt, raises two questions. What is the investment bank up to? And what does this - and last week's other big deal, the \$615m-plus purchase of Heine Securities - mean for the price of other fund management

The answer to the first question was outlined in Morgan Stanley's latest annual report, which points to the growth of asset management as "advancing the firm's objective of diversifying by expanding its recurring, fee-based bust-

Mr Philip Duff, chief financial officer, adds that Morgan Stanley essentially has two businesses - a securities inter mediation activity, such as underwriting, sales and trading, and investment management or "asset-gathering". At present about 20 per cent

of the group's pre-tax profits come from investment management. With the Van Kampen acquisition that would rise to about 30 per cent. Mr Duff says it does not matter whether the two revenue sources end up with a 50/50 or 60/40 share of group profits, but both need to

have scale. Mr James Allwin, president of Morgan Stanley Asset Management, explains that the strategy, put simply, "is to grow what is already the base of a very good business using the firm's global franchise to have a material impact in terms of the growth and stability of earnings for sharehold-

Morgan Stanley had meant to pursue its investment management strategy through organic growth. But it then made an opportunistic, and abortive, attempt to to get its hands on Mercury Asset Man agement, a leading UK fund

And in June last year it agreed to buy Miller Anderson & Sherrerd, a fund manager with expertise in US equities, for \$350m. The transaction was completed early this year.

The idea was to broaden the product range by combining MAS's skills with Morgan

tional equities, including emerging markets. The deal, which gave the combined group a strong position with both institutional clients and wealthly individuals, has worked even better than hoped, says Mr Duff. Morgan Stanley had proj-

ected a loss of 5 per cent of the \$33bn assets MAS had under management. But only one small client was lost. The Van Kampen deal brings

the firm an entirely new type of customer - the retail mutual fund investor. Last March Morgan Stanley hired Ms Ruth Hughes-Guden, an expert in defined contribution retirement plans, to head its expansion in that busines which includes the fast-growing 401(k) personal pension

**FUND** MANAGEMENT

Mr James Allwin, president of Morgan Stanley Asset Management, says many of its pension fund clients were telling him their defined contribution plans were growing faster than their defined benefit plans. MSAM was hearing "loud and clear" that it was missing an

opportunity.
But to run 401(k) money, expertise in administering a multitude of small accounts is vital Van Kampen, with its 2m retail customers, has invested in the critical back-office infrastructure needed to handle those accounts. Mr Allwin

Between MSAM, Miller Anderson and Van Kampen, the group will have about \$4bn in defined contribution money, out of nearly \$160bn under management. "A fraction of what it should be," Mr Allwin admits, but an area which he expects to grow rapidly.

So Morgan Stanley's US plans are fixed, if yet to be developed. Elsewhere, though, there is more to do. Mr Allwin says: "We clearly have to gather more assets outside the US, especially in Europe and

to see us take some steps to grow our asset gathering outside the US."

tions of the deal for the value of US fund managers? Morgan Stanley is not alone among US investment banks in wanting to increase its fund manage ment operations, while non-US firms have also been buying American asset management

So far though, Morgan Stan-

ley has been more successful than its Wall Street rivals in doing deals. The others mutter darkly that they too have considered acquisitions, but have balked at the prices being paid. But demand from buyers is spected to send prices higher. Mr Milton Berlinski, a mergers and acquisitions expert at Goldman Sachs who advised Heine Securities on its sale, says he expects further consolidation in the industry, with perhaps another half a dozen deals in the next six to 12

Mr Michael Flanagan, of Financial Service Analytics, an independent firm, believes although the price Morgan Stanley is paying for Van Kam-pen might look high histori-cally, it "could prove to be very reasonable down the road," not only because of the potential Morgan Stanley should realise from the acquisition, but because of the rush by others to acquire fund management firms. The MAS purchase, seen

Mr Michael Lipper of Lipper Analytical, which tracks mutual fund groups, believes "only time will tell" if Morgan Stanley is paying too much. "I have no doubt it could work brilliantly. But it must work well, otherwise the price, and the price in terms of reputation, could be severe. As for prices generally, Mr Lipper says "there was no low hanging fruit before" last

week's deals and he thinks sell-

ers of asset management busi-

nesses will raise their prices.

Other investment banks may

find themselves paying up if they want to follow Morgan

Stanley's strategy.

by some as expensive a year

ago, has already proved a good

Mercantile & General's ice cold Swede John Engeström, chief executive of life

General, is building a reputation as an ice-cold Swede, writes Ralph Atkins.
Prudential, the UK-based life assurer which owns M&G Re. last week What then, are the implicaannounced plans to seek a listing for his group and sell perhaps a 50 per cent stake. Yet Engeström was avoiding the media. Officially, be wants to keep his powder dry, pending marketing of the offer later this year.

Engeström has not had a high profile previously and is a quietly-spoken man. But he has a steely determination that could make him the Stefan Edberg of the technical and often sleepy world

and health reinsurer Mercantile &

Appointed in 1992 by Mick Newmarch, the Pru's former chief executive, Engeström, 54, has transformed M&G Re's general reinsurance operations after heavy losses earlier this decade. In a burst of exuberance, the 1,300 staff were each rewarded with a bottle of Bolligner. Now he is about to make his boldest stroke, moving M&G Re outside the Prudential fold. Although worth more than fibn, M&G Re will be only a medium-sized player in an international reinsurance sector dominated by highly-capitalised giants.

Re can prosper independently - and seems to have persuaded the Pru to go through the motions of seeking a listing, rather than an outright buyer. There are plenty in the reinsurance world who believe the listing process is really about putting a price on M&G Re and that it will end up in the clutches of a larger rival such as Swiss Re or US-based Employers Re. But Engeström is playing his own game.

Engeström believes firmly that M&G

L'Hélias: creating waves at Eurotunnel

Sophie L'Hèlias does not like to be described as a "shareholder activist". But she scored a significant victory for individual investors in Eurotunnel at the end of last week week under her preferred title as a "corporate governance consultant." writes Andrew Jack

In a move which created waves well beyond the inner circle of French business, she cast some 50m proxy votes against several of the company's resolutions at last Thursday's annual general meeting in Paris – or more than 32 per cent of all votes cast. That could give her the power to block any proposed restructuring plan brokered between Eurotunnel and its

225 creditor banks - or to ensure that



John Engeström: steely determination behind a quiet ex-but will the Pru go all the way in floating M&G Re? tröm: steely determination behind a quiet exterior

it is approved only on terms which suit most private investors.
Fluent in both English and French, L'Hélias was born in Brittany and educated in France before taking a law degree at the University of Pennsylvania. She worked for US law firms in both New York and Paris before deciding to change careers, and studied for an MBA at the Insead business school. A short period with an investment bank in London

persuaded her that she did not want to follow that path either. Then in 1992 a Belgian shareholder group asked her to set up its Paris office. When she realised that the job was drifting towards the role of venture capitalist, she decided it was time to set up on her own. "I was interested in representation and mediation, not through legal action but by discussion," she says. The result was Franklin Global Investor Services, founded in 1994 and

Parislan address on Avenue Franklin Roosevelt. Through "fluke after fluke." as she puts it - not to mention some notable successes - she has since taken a leading role in a number of France's most notable recent corporate governance conflicts.

CSFB's Kiev banker CS First Boston, a pioneer in Moscow, last week became the first western investment bank to open a subsidiary in Kiev, the sleepy capital of giant Ukraine, writes Matthew Kaminski, The man picked to run the office fits the classic profile of CS First Boston personnel in neighbouring Russia – young, educated abroad, but with

intimate local knowledge.

Now 88, Alexander Bazarov, gained a PhD in Ukraine, worked for the central bank and even dabbled in financial journalism, before graduating from Wharton, the University of Pennsylvania's business school. He

spent only a couple of months at Bankers Trust in London before returning to his native Kiev, to high

expectations and a tough task. CSFB's Kiev subsidiary, he says, aims to "do the same thing as in Russia" - that is, equity research, sales and trading; government securities; and investment banking. A local staff of seven will receive strong support from London and Moscow. Bazarov himself directly answers to Alex Knaster, managing director of CS First Boston operations in Russia and the other CIS countries.

Some Ukrainians might frown on the link with Moscow, but CS First Boston says Kiev will be an independent operation. Bazarov himself jokes that he is "politically correct": half Ukrainian, half Russian.

A bigger headache might be the state of Ukraine's economy and privatisation effort – both on the mend lately, but it's not clear for how long. That will determine whether Bazarov can repeat the success story of Boris Jordan, Moscow's leading investment banker who last year left CS First Boston to

# Plag unmoved by Extel jackpot

Being rated among the City's top investment analysts in the annual Extel survey has to be the next hest thing to winning the National Lottery,

writes Bronwen Maddox. Top billing can add hundreds of thousands of pounds to a team's remuneration. So this year's winners. to be announced on Wednesday, may or may not take consolation from the fact that BZW's Steve Plag, one of last year's stars, says it hasn't changed his life: "Not one jot," he insists.

Plag, then at NatWest Securities, was the most highly rated "individual performer" in the 1986 Extel survey, by virtue of his research into household goods, health care and pharmaceuticals.

The category was introduced to reflect the fact that some analysts cover more than one sector. The award has therefore tended to favour pharmaceutical, oil and building industries, in which analysts tend to cover more than one stock market sector. Fergus Macleod and the NatWest Securities of team were last

year's highest-ranking overall team Plag doesn't expect his moment of glory to be repeated this year. He was ranked only 9th on the same basis in 1994, and says his move to BZW, which kept him out of the market for several months early this year, may have cost him some institutional support.

But the move, he says, owed far more to the fact that his team had dominated the pharmaceutical sector for some years, than to the "best individual analyst" tag.







# **FINANCIAL TIMES**

# **COMPANIES & MARKETS**

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INSIDE

Mediaset

Mediaset, the Italian media

Silvio Berlusconi, has set a price of L7.000 a share for

group controlled by Mr

the public offer and

institutional placing of

shares which opens tomorrow, just below the

top of the target range.

Crédit Foncier

# Stena seeks end to ban on ferry co-operation

By Hugh Carnegy in Gothenburg and Charles Batchelor, Transport Correspondent, in London

Sweden's Stena Line has orged the UK government to lift restrictions on co-operation between ferry operators on the English Channel because of crippling competition from

Mr Bo Lerenius, Stena's chief executive, told the Financial Times he understood the Office of Fair Trading in the UK had made a recommendation on the issue to the government and said he expected a ruling

been in talks with UK authorities following a similar initia-tive by P&O, the British transport, property and construction group which is the largest ferry operator on the channel. P&O also said yesterday that it

expected a decision within the

next fortnight.

Mr Lerenius said Stena, which issued a profits warning two weeks ago, was interested in a "pooling" arrangement with rival ferry operators which would allow them to co-operate on pricing and to pool their revenues. "We would have to talk not just to P&O but to all the players," Mr LerP&O, Sea France and us." However he said Stena had not held talks with its rivals.
P&O said that lifting the

restrictions would not mean the two companies would auto-matically merge activities. "It would send a helpful signal but it does not give us carte blanche," the company said. "If we had any specific proposals to merge or to acquire someone we would still need to consult the relevant authorities."

P&O initiated efforts to lift the restrictions two months ago on the grounds that the start of full Channel tunnel rail services and the passing of enius said. "Any arrangements new competition legislation would have to include at least had made the restrictions new competition legislation

redundant. Stena, which that the impact of the tunnel recently ended a co-operation justifies lifting the restrictions. agreement with SNAT, the French state-owned ferry group, had initially appeared unenthusiastic about any new link-up. P&O said it welcomed what appeared to be a more positive approach from Stena.

The government blocked a previous co-operation plan after P&O and Stena had reached a pooling agreement in anticipation of the arrival of Eurotunnel. Although the ferry companies are allowed to co-operate on capacity, ticket interchangeability and schedules, they are not allowed to fix prices and share revenues. But the ferry operators argue

Eurotunnel has taken more than 40 per cent of traffic on the Dover-Calais mute and has continued to slash prices. P&O has more than 30 per cent of the traffic and Stena has about 20 per cent.

If the two companies were to merge their cross-channel activities, there would probably be a reduction in the number of sailings, although they would need to compete with Eurotunnel's level of service. The groups could also combine marketing efforts and offer a common livery for their ves-sels. Competition from the Channel tunnel would make it

hard for a merged group to put

Mr Lerenius said Eurotunnel's most recent price cuts for the high summer season came as a shock: "From our point of view it was very dramatic. It means the whole price level is 50 per cent of what we had before. But we have no choice but to find ways to adapt our prices. If not we

the worst of all for us." Stena warned in mid-June that developments on the English Channel were partly to blame for an expected fall in profit this year from Skr201m (\$30.4m) in 1995, itself a sharp

Goldman Sachs

becomes favourite

to buy CINMan



Capital Management, the Calif-

company once considered one

institutional firms in the

Its so-called contrarian

approach to investment has

helped CINMan to achieve

above-average long-term performance. In 1995, CINMan

achieved total returns around

the industry median of 19.6 per

cent, in spite of a significant

move into lower-yielding

the most attractive



Shareholders in Credit Foncier de France, the troubled property lender, are considering legal action against the board of the group as a result of its conduct at its annual general meeting last Friday. Page 18

### British Gas

Institutional investors are set to beighten pressure on Ofgas, the UK gas industry regulator, to "do a deal" with British Gas in order to avoid tough price control proposals for the TransCo pipeline division being referred to the UK's Monopolies and Mergers

### Faces



When Pruthe UK life assurer, announced plans last week to seek a

listing for Mercantile & General, its life and health reinsurer, M&G Re's chief executive, Mr John Engeström (above), was keeping a low profile.

### Fund. Management

With its deal last week to take over Van Kampen American Capital for \$745m plus \$430m of debt, the US investment bank Morgan Stanley is "advancing the firm's objective of diversifying by expanding its recurring, fee-based businesses". The acquisition of Van Kampen brings Morgan Stanley an entirely new type of customer - the retail mutual fund

# US tyre group intends to regain leading position it lost after Goldsmith raid

# Incoming Goodyear head plans disposals

By John Griffiths in London

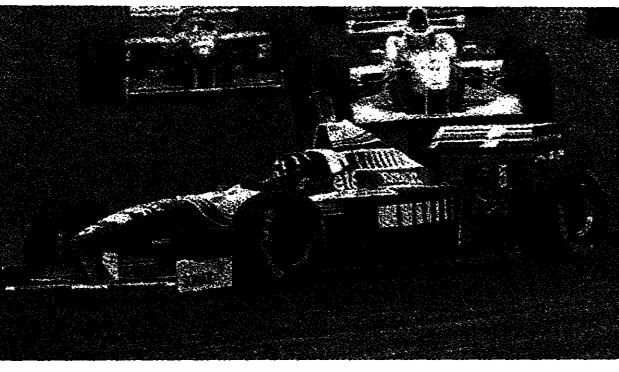
Egyptian-born Mr Samir Gibara today takes over the chairmanship of the US's Goodyear Tyre and Rubber. with one of his declared aims the raising of several hundred million dollars through the sale of non-core businesses.

The money will help fund another aim, as yet not so formally stated: to restore Goodyear to the position it once held as the world's biggest tyre maker, until the abortive takeover raid of British entrepreneur Sir James Goldsmith in the late 1980s which left it

But Mr Gibara insists size itself is not the primary aim. "Our vision in the next five years is to be ranked by all measures as the best tyre and rubber company in the world. defined by quality of products, return on investment to shareholders and motivated associ-

ates [employees]."
Crucially, it is clear Good-year believes that even the past decade's restructuring. which has has left the three biggest groups - Michelin of France, Bridgestone of Japan and Goodyear - controlling 55-60 per cent of the \$60bn world tyre market, is unlikely

Come the next recession and



any consequent rationalisation, he adds, Goodyear will not face financial contraints on almost any acquisition that makes sound business sense. "We will look at every opportu-

nity that comes up."
Saddled with its huge debt from warding off the Goldsmith raid, Goodyear could only watch helplessly in the late 1980s as first Michelin of France then Bridgestone of Japan overtook it by buying up big companies. Michelin bought Uniroyal-Goodrich to become the world's biggest tyre maker, Bridgestone bought Firestone to become

But in the five years since Goodyear came under the chairmanship of Mr Stanley Gault, the 70-year-old former Rubbermaid chief from whom Mr Gibara takes over today, rising productivity and restructuring of distribution and retailing channels has left it transformed. Last year's total tyre sales, at \$11.3bn were a record and represented a 7.1 per cent increase over 1994. Net income, at \$611m -\$4.02 per share - was 7.8 per cent up and also a record. Most significantly, says Mr Gibara, Goodyear has achieved its 19th consecutive quarterly

tinuing operations. Its debt has been cut by almost two thirds to \$1.4bn, and it now has a manageable debt to capitalisation ratio of 32 per cent. Operafing margins, 5-6 per cent when Mr Gault arrived, are now around 9 per cent.

"What it all means is that today, 10 years after Goldsmith, we are for the first time in a position to be in control of our future and investing," says Mr Gibara, who took over the chief executive's role from Mr Gault last year and today succeeds to his other role.

However, the first priority is profitable growth, primarily via a greater variety and qual-

ity of products, expanding distribution channels and "by taking advantage of opportunities in emerging markets, many of which were not available to the Western industry five years ago, in central and east ern Europe, India and China". 'We won't buy sick compa

nies and try to turn them around. We are interested in acquiring companies in core competencies, of tyres, industrial rubber products. And we will try to acquire only companies which are synergistic with what we have and fit our strategy for the regions in which the acquired companies are

### ornia-based fund manager which was recently purchased Goldman Sachs, the US-based investment bank, is the front by Dresdner Bank, the German runner on a list of four finalists seeking to purchase If Goldman Sachs is CIN Management, the in-house pension fund manager of successful, it will bring to a conclusion a year-long effort to sell a fund management

business.

British Coal. CINMan officials were in New York last week holding talks about a possible acquisition. The three other potential buyers are understood to be mainland

By Norma Cohen

European banks. Advisers to the sale are now hopeful a deal can be concluded before the end of the summer. British Coal has been twice thwarted in its efforts to sell CINMan, which has about £17bn (\$26bn) of assets under

Goldman Sachs, which has \$58.5bn under management and administration, has been seeking to build uo an institutional fund management business in recent years. In common with other US investment banks, it had initially been reluctant to develop its asset management arm for fear of alienating the fund management clients of its

brokerage business. However, Goldman Sachs has since revised its strategy and is now looking to develop its business through a combination of acquisitions and organic growth. It had been one of the companies considering the purchase of Rosenberg

# index-linked gilts. An agreed deal to Friends Provident, the UK

mutual life assurer, for about £70m fell apart when the two parties could not agree on how to integrate their different investment styles and teams. In March, talks between British Coal and Robeco broke down when Robeco demanded that the trustees of the pension schemes commit themselves to remain with CINMan for up to

Both Friends Provident and Robeco were on the initial short list of four firms. The other two were Sal Oppenheim the private German bank, and insurance company.

# Partners nity fund

11 3 3

### By Christopher Parkes st Coast Correspondent

MCA intends to develop a global entertainment brand based on the "magic of Holly-wood" but will steer clear of spending in cyberspace, Mr Frank Biondi, the group's new chairman, sald at the weekend. "We marvel at the time peo-

ple spend surfing the Internet. But we wonder what the endgame is in terms of [content providers'] getting paid, or what the entertainment value

MCA would keep an eye on developments. But, Mr Biondi added, internet surfing at pres-

STATISTICS Base lending rates

Company meetings

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ent was comparable with "reading the Yellow Pages" and he had no plans for largescale investments.

second largest.

The media and entertainment subsidiary of the Seagrams drinks concern would expand its international reach with more films, more theme parks and cinemas, expanded music interests and ventures in television, he told a conference in Los Angeles.

Mr Biondi, appointed two months ago after being fired from his post as president of Viacom, promised aggressive international expansion. The music division, once a mainly domestic business, had

recently opened 27 overseas offices. Plans were afoot to increase MCA's cinema chain from 400 to 2,000.

rise in net income from con-

MCA to avoid Internet investments

Universal Studios theme parks, aiready successful in the US with another soon to open in Osaka, Japan, would be launched elsewhere in the world. Attendances at the two US parks had increased this year "in the very serious double digits". he said.

Other attractions to be exported included shopping-cum-entertainment centres such as CityWalk, which are popular with tourists and residents in Florida and California. television interests, which are hampered by its lack of a stake clash with Mr Biondi's old employer, Viacom, which is an equal partner with MCA in the USA channel.

'We are prisoners, so to speak, of the USA partnership. I think it is fair to say we would like to own it if we could," he said. Given a free hand with USA, MCA could use it as a base from which to develop a new network, possibly in partnership with others Despite the current glut of big-budget films hanging over Hollywood, Mr Biondi said he

plans for developing MCA's had not yet reached any conclusions on his response According to Mr David Loninvestment bank Schroder Wertheim, Hollywood is squandering potential profits on over-production of over-budget and over-ambitious films.

Predicting falling studio earnings for this year, he told the conference movie-making's earnings from the box office, and future income from videos, pay-per-view, "free" TV and consumer products were being misused. "You are taking these library values and wasting them on your current output, he added.

# Mr Biondi also outlined

London share service Managed fund service Money markets New int bond issues

COMPANIES IN THIS ISSUE Korean Air Lines Agrp Albacon 18 MCI BNL Mercantile & General BZW Morgan Stanley News Corp CINMan CS First Boston Oriental Pres P&O Paribas Codelco Pechiney Deutsche Bank RTZ-CRA Eurotunnel Richemon Gazorom General Electric United Utilities Goodvear

Von Roll

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# RTZ-CRA raises hopes of Century zinc mine go-ahead

# By Nikki Talt in Sydney

RTZ-CRA, Anglo-Australian mining giant, yesterday threw a lifeline to its A\$1.1bn (US\$870m) Century mine in northern

The mining group said it understood that aboriginal groups, which have a native title claim over the proposed mine site, had voted narrowly in favour of a propose settlement package. This would allow development to proceed, although their meeting subsequently broke up without apparent agreement.

CRA-RTZ had set last night as the deadline for support the aboriginal community, saying that it would mothball the project set to become the world's largest zinc mine - if there was not clear support for it by

Friday night, the

development had appeared doomed in the wake of the inconclusive meeting of the United Gulf Regional Aboriginal Council.

Yesterday, however, the Century project team said that RTZ-CRA had subsequently learnt that a vote was taken at the UGRAC meeting and ran 12-11 in favour.

It said that an "independent" source had reviewed the minutes of the meeting, and Century believed that this coupled with less formal backing for the projects from some aboriginal communities in the region - could be interpreted as "support" for the mine scheme.

This would be the advice which Century would give the board of RTZ-CRA, which must now take a final decision on whether to authorise continued expenditure on the

mining company

with the project late last year when it believed that previous pastoral leases granted over the land had extinguished any chances of a native title claim. However, Australia's high

court subsequently ruled that the Waanyi people's claim which covers about 247 hectares - could be registered. Under the country's new Native Title Act procedures, once a claim is registered a lengthy formal negotiation process is triggered. If the project does fall by the

wayside, it could have implications for Pasminco, the Australian zinc producer, and its Budel smelter in the Netherlands, Pasminco is due to take about 50 per cent of Century's output, and this is said to be only possible source of "clean concentrates" which would allow Budel to meet the environmental standards set down by the Dutch authorities.

# PRIVATISING BUSINESSES WORLDWIDE

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# FINANCIAL TIMES

THIS WEEK

ING BANK At Home in Emerging and Capital Markets ING BARINGS

Global Investor / Peter Martin

# Wary investor fears a correction

nificant trend in world markets at the moment? The answer, according to one active market particinant, is shown in the chart alongside - the marked compression of volatility in recent months. The trend applies to most big markets, and most types of security, he says. The chart shows the weekly change of the FT/S&P Actuaries World Index, plotted daily. Not only ward trend in volatility – dating back at least to the summer of last year - but there is also a further sharp reduction in the past two months.

This fall in volatility goes hand in hand, the investor says rather glumly, with a reduction in obvious market anomalies, the sort that can be exploited by a fast-moving trader with a lot of money to spend. On past precedents, he believes, the two trends indicate an imminent market correction and a sharp rise in volatility, to be followed by a recovery and a much sharper fall in the market next year. Well that's just one inves

tor's view. But the sense that something big and probably rather unpleasant is about to happen is shared by others in community. Morgan Stanley's Byron Wien is expecting a 1,000-point fall in the Dow Jones Industrial Average sometime in the next three months, for example. Tactical Asset Allocation models, which use economic and financial data to make broad decisions on assetclasses, are mostly advising a

move out of equities The tone of the inv newsletters devoured by US retail investors is still positive, however - with one important caveat. Mr Mark Hulbert, who runs Hulbert Financial Digest in Washington and tracks the advice of the US investment newsletters, says that the mood is "on the bullish side of

The average exposure to equities recommended by the newsletters he tracks is somewhere between 65 per cent and 70 per cent - which compares with a historical high of 85 per cent in 1985 and a low of zero (after October 1987).

The newsletters with good long-term records in predicting the market are much more performing indicator can be extracted from the essentially mechanical "timeliness" indicators of the ValueLine Investment Survey. Its implicit fore-cast, which looks roughly four years ahead, suggests no rise in US stocks between now and then - not a prediction of a bear market but scarcely a ringing endorsement of the return on equities. The second-best performing

newsletter, the Chartist, has advised its readers to stay out of equities for two years now. It has therefore missed most of the recent run-up in stocks, but its long-term record is so good it still comfortably outpaces the rest of the pack. Other newsletters with good records also started to turn cautious early - typically around a year or so ago according to Mr Hulbert.

Océ van der Grinten

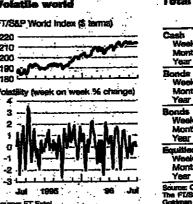
Share price relative to the AEX index

So much of the impetus in US equities in recent months has come from retail investors either buying directly or

their mood is critical to the mutual fund figures, released last week by the Investment Companies Institute, show that equities are still close to individual investors' hearts.

Though the net inflow into equity mutual funds in May was slightly below the figure for April, it was still huge: \$25bn. So far this year, the inflow has been \$124bn, almost as much as the \$129bn inflow in the whole of 1995. Net assets of equity mutual funds have risen by 9 per cent in the first five months of 1996; at \$1.5 trillion, they are now 49 per cent higher than a year ago.

Just as striking was the composition of May's inflow. Although the growth in stock funds slowed overall, US stock



than a third of the new money went to "aggressive growth" funds; no sign of caution there. The cynic would say such an eagerness for speculative shares is an infallible sign of a market top. That is certainly one way of interpreting recent developments in Germany, where second-tier stocks have healthily outperformed their larger cousins. The M-Dax, which measures medium-sized

0.07 0.32 6.59 0.04 -0.17 0.94 40.8

per cent in the month, compared with a 0.7 per cent rise in the main Dax index. But in the US, where smaller-cap stocks have led the way unward for most of the recent rally, June marked a reversal of trend. May's inflow into aggressive growth funds will have produced immediate disappointment for many of the investors concerned. The S&P SmallCap 600 index, which tracks smaller stocks, underperformed the Dow by 7 per cent in June.
It will be interesting to see whether this relatively poor performance is reflected in the mutual fund inflow figures for the month. We will be able to study the numbers in late July. Of course, if the investor men-tioned at this beginning of this article is to be believed, there may be more to worry about by then than one month's mutual fund figures.

**COMPANY RESULTS DUE** 

# Océ to see gains from printer acquisition

Océ van der Grinten, the Dutch electronics group, will on Friday report net profit for the three months to May of Fl 36.3m-Fl 43.0m (\$33.3m-\$39.1m) or F1 2.15 and F1 2.30 a share, compared with Fl 27.5m or Fl 1.69 a share a year earlier,

according to analysts. Analysts expect the acquisition of Siemens-Nixdorf's printer division, which took effect on April 1, to make a limited positive contribution to three-month net profit. Mr Bert van Hoogenhuijze, analyst at Amstegeld, is forecasting net profits of F143m or F12.30 a share. "Oce said at the time of

Nixdorf that the acquisition would make an immediate profit contribution. That will show up in two of the three months of the reporting

Ms Ineke Valke, analyst at Financieele Diensten Amsterdam, who forecasts net profits of Fl 40m or Fl 2.30 a share, expects the new printer business to contribute about Fl 4m to net profit. She added that Océ should benefit from a 7 per cent year-on-year appreciation of the dollar against the guil-

However, analysts expect most of the year-on-year profit growth to be driven by strong sales of products introduced in the six months to May 1995. In spring 1995, Océ's engineering systems division launched a digital high-volume copier/printer and a low-volume "eco-copier," while the office systems division introduced a edium-volume machine. Mr Ton Gietman, analyst at

Van Meer James Capel, said he expected three months to May net profits of FI 36.3m or FI 2.15 a share. He said last year's product launches resulted in substantial start-up costs during the six months to May 1995 but led to a strong stream of orders for the new products beginning in the six months to December 1995 and continuing

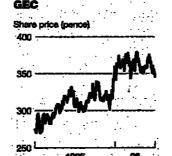
per share forecasts for the three months to May were based on their calculations of the average number of outstanding shares in the three-month period. For the full year to November 1996, analysts expect earnings per share of Fl 8.35-Fl 9. The company issued 2.53m ordinary shares in April to finance its Fl 900m takeover of the printer business. In the first quarter to February the average number

■ Scottish & Newcastle, the

Analysts said their earnings

UK's largest brewer, is expected to report today underlying earnings growth of about 7 per cent to 39p a share for the year ended April. Pre-tax profits of about £155m (\$239m) will reflect a provision of £150m for integrating Courage, the brewer it acquired last year. Courage has contributed well to profits in its first eight

An underlying improvement



in S&N's beer business will be the star turn of the results. Increased volume, a shift to higher margin products and price increases will have reversed a five-year decline in S&N's brewing profits. The Scots' lessons from the

acquisition - notably. increased efficiency and market heft - will not be lost on Bass which is still trying to craft a deal to buy CarlsbergTetley. If Bass succeeds in meeting regulatory and com-mercial criteria it will regain its title as the UK's largest

companies, rose 7.3

From pub retailing, S&N will squeeze about 14 per cent like-for-like growth in profits, estimates NatWest Securities, a higher rate than Bass and Allied Domecq.

Center Parcs will be the disappointing feature with profits up only about £4m from last year's £87.9m despite the opening of a new holiday complex in Germany. New management are shaking it up. The dividend for the year should be up 7 per

■ MFI, the furniture retailer and manufacturer, is today expected to report a fall in pretax profits from an underlying £66.1m to about £58m (\$89m) for the year to April 27. The group was hit by raw materials price increases, bad weather which affected the winter sale.

INTERNATIONAL EQUITIES BY ANGHIZ SHAP

and a slow market. But profits are expected to rebound strongly this year to more than £80m. Analysts will be keen to hear whether group sales of high-margin own-manufactured goods have risen since the year-end. MFT's store refurbishments and any slight pick-up in the housing market could help.

■ Berkeley Group, the house builder regarded as a bell-wether of the UK housing market, is expected to announce pre-tax profits of about £42m (\$65m) tomorrow. This implies a growth in profits of up to 12 per cent on last year's £37.6m, with forecasts lifted by sentiment that the housing market is recovering, and by Berke-

> launching its rights issue in January. conditions since its March year end, and its forecast for the year, are also likely to be influ-

lev's positive predictions when

ential for the rest of the sector

■ The General Electric Company is expected to reveal annual profits of £960m-£990m (\$1.5hn-\$1.5hn) on Wednesday up from last year's £907m. before exceptional items.

The results will be the last to be presented by Lord Weinstock before he steps down as managing director after 33 years in the job, to be replaced by Mr George Simpson, chief executive of Lucas Industries.

Profits from electronic systems are expected to improve to £240m-£270m compared with £205m, although analysts are uncertain whether the group will be able to release provisions already taken against certain defence

Earnings per share are expected to rise to 22p-22.5p compared with 20.6p and analysts forecast the full-year dividend will be between 12.1p and 12.3p. up from 11.37p.

既認に注え

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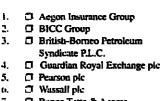
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# The burge bracket reigns supreme

TOP INTERNATIONAL EQUITY BOOKRUNNERS

The latest half-yearly league table of international equity bookrunners shows the expensive campaign by European contenders to break into this lucrative market has failed to weaken the supremacy of the redominantly US "bulgebracket" investment banks.

According to Euromoney EquityWare, Goldman Sachs is still top, with Morgan Stanley close second. They are followed by SBC Warburg and CS First Boston/Credit Suisse, the only two European banks consistently in the top five, and Merrill Lynch.

However, other European banks which climbed into the top 10 table in 1995, such as BZW, Paribas and UBS, were unable to consolidate their positions in the first half. UBS ranked 14th while BZW and Paribas do not even make it into Euromoney's top 25 table. League tables are never perfect, especially in international equities where a big mandate can catapult a bank several rungs up the ladder. Neverthe-

Sbn Rank % Issues Sho Rank % lessues Morgan Stanley SBC Warburg CSFE/Credit Suis 2 11.39 2 14.18 4.26 2.70 2.84 2.28 1,77 4 5 23 20 12 Mentil Lynch 5 8.41 Dreadner-Kleimwor ABN-Amro Hoare 4.83 4.21 3.50 Robert Reming JP Morgan Industry totals 0.67 10 2.66 13 100

less, the fact the top five banks continue to control half the market suggests winning business away from them is an uphill struggle. Such dominance was highlighted last week when that most British of institutions, the Prudential, chose Goldman Sachs rather than a UK bank to advise on the flotation of its Mercantile & General reinsurance arm. European banks claim it has

been clever marketing of a US listing that has helped US banks maintain their tight grip

on the market, not their

say it was their absence that caused so many offerings to fail or be scaled back last year.

research or distribution capa-bilities. However, the US banks' recent successes in winning purely European mandates have refuted such claims. Nevertheless, the importance of the US banks' distribution in their home market should not be underplayed, especially this year when US investors returned in force to buying for-eign securities. Many bankers

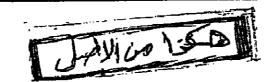
among international investors in particular the Americans, fuelled primary and secondary equity issuance this year. Together with strong secondary stock markets, such superb conditions have set 1996 on course to a record.

According to provisional data from Euromoney Equityware, volume in the first six months has reached \$29.6bn, well over half the \$45.5bn recorded in 1995. Judging by the heavy calendar of offerings planned for the second half (the share offerings in Deutsche Telekom and Eni alone are likely to raise \$15bn) 1996 could well outstrip the 1994

record of \$56.4hm. The only concern banks harbour is that the second half of 1996 could see a repeat of last year when US investors turned their backs on international equity offerings. With stock markets looking toppy, banks will have to use all their skills to ensure their offering is not

FT/S&P ACTUARIES WORLD INDICES The FT/SEP Actuaries World Indices are owned by FT-SE international Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are co

EGIONAL MARKETS				UL YAGE	NE 28 19					THURSD/	Y JUNE	27 1986		DOLI	LAR INC	<b>Æ</b> X
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ustrie (25)	183.92	5.4	175.50	127.52	145.55	145.49	12.1	1.92	185.07	177.47	127.86	146.42		198.98	168.11	195.
elgium (27)	209.16	0.0	199.58	145.02	165.53	161.60	6.5	4.12	209.12	200.53	144.47	165.45		215,81	186.08	
razii (28)	176.13	29.1	169.97	123.51	140.97	329.23	33.4	2.01	181.27	173.82	125.23	143.41	334,76	181.89	123.97	
anada (96)		7.6	152.38	110.72	126.38	157,93	7.7	2.41	158.84	152.31	109.74	125.67	156.78	165.12	134.14	
enrnark (30)	303.09	5.0	269.21	210.14	239.85	241.80	11,1	1.90	301.76	269.37	208.48	238.74	240.69	305.17	276.53	
nland (23)	101.83	2.5	183.05	133.00	151.81	187.05	9.7	2.67	190.43	182.61	131.58	150.68	184.89	278.11	171.73	
ance (96)	197.80	10.2	188.74	137.14	156.54	159.74	16.1	3.01	198.59	188.51	135.82	155.53	158.78	198.39	167.70	
armany (90)		5.3	164.42	119,47	1 <b>36.3</b> 7	136.37	11.9	1.82	171.59	164.55	118.55	135.76	135.76	174.38	155.66	
ang Kong (59)		11.3	411.91	299.30	341.63	429.02	11.5	3.32	430.92	413.23	297.71	340.93	428.27	451.19	348.81	
Mand (16)	286.95	123	275.80	198.95	227,08	253.11	12.7	3.39	283.17	271.54	195.63	224.04	250.77	290.82	233.90	
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alaysia (107)	559.44	15.3	533.81	387.88	442.73	537.64	13.3	1.67	558.24	535.31	385.67	441.86	538.09	164.68 585.09	137.75 425.77	52
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therland (19)	297.57	9.2	284.03	205.38	235 <i>.5</i> 7	231.91	16.2	3.11	296.01	283.85	204.50	234.19		1325.65	791.98	
w Zasland (15)		0.6	76.42	55.53	63,38	62.08	-4.0	4.37	79,71	76.44	55.07	63.08	230.47	299.69	245.79	76
onway (35)	250.68	8.4	239.20	173.81	198,38	221.05	11.4	2.05	249.74	239.48			62.08	85.49	75,94	
ngapore (44)		2.4	397.88	289.11	329.99	271.23	2.2	1.40	417.12		172,54	197.58	220 <i>2</i> 7	256.94	222.24	230
auth Africa (45)	362.38	-8.0	345.78	251.25	286.78	343.00	11.7	212	385.12	398.89	286.18	330.01	271.13	465.21	355.61	379
ain (37)	183.29	11.0	174.89	127.08	145,05	178.03	17.3	3.21	182.26	350.13	252.25	288.87	348.23	437.76	339,37	345
reden (48)	357.35	14.5	340.98	247.76	292.80	351,04	14.6	2.42		174.77	125.91	144.19	176,79	183.29	145.15	147
vitzerland (38)		3.4	232.91	169.24	193.17	189.42	12.5	1.56	353.13	338.63	243.97	279.38	346,64	360.77	206.40	202
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ited Kingdom (200)		1.2	222.72	161.83	184.72	222.72		2.02	164.65	157.89	113.75	130,27	162.15	193.95	146.74	168
SA (627)		8.6	260.23				1.2	4.19	230 42	220.96	158.19	182.30	220.96	237.43	210.29	210
			20020	189.09	215.83	272.73	8.6	2.17	271.68	260.52	187.69	214.94	271.68	278.47	222.24	202
rericas (771)		8.8	237.64	172.68	197.09	209,38	8.8	2.17	248.13	237.94	171.42	198.31	208.60	252.43	203.64	203
rope (713)		5.3	201.83	146.65	167.39	184,80	8.8	3.06	209.81	201.19	144.95	165.99	183.57		187.21	187
ardic (136)		10.6	290.96	211.42	241.32	263.93	12.9	2.33	302.13	289.72	208.73	239.03		211.58		258
ellic Basin (831)	169.35	25	161.59	117,42	134.02	119.51	7.3	1.15	169.80	182.82			261.24	305.61	255.76	
ro-Pacific (1544)	186.81	3.8	178.26	128.52	147.84	144.29	8.0	2.05			117.31	134.34	119.48	177.01	14B-86	154
orth America (725)	265.75	8.5	253.57	184.25	210.31	265.05	8.5	2.1B	186.35	178,70	126.75	147.44	143.80	190.57 ^	166.51	164
rope Ex. UK (513)		7.8	185.27	134.62	153.65	161.31	13.2	2.10	264.72	253.84	182.88	209.43	264.01	260,52	217.31	217
ctfic Ex. Jepen (350)		8.8	274.80	199.87	227.91	248.88	6.8		193.07	185.14	133.39	152,75	180,35	194.16	169.65	170
and Ex. US (1733)		3.9	179.39	130.35	148.78	148.70	8.3	3.06	287.79	275.97	198.82	227.68	248.53	296.68	243.50	250
orld St. UK (2160)		6.3	202.48	147.13	157.93	180.32		2.08	187.59	179.88	129.60	148.41	148.24	191.55	167.35	166
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# **NEWS DIGEST**

# Korean Air Lines to raise \$860m

Korean Air Lines, the South Korean flag-carrier, is raising \$860m to buy six Boeing aircraft. Bank of New York, Bank of America and the Korean Development Bank have been mandated to arrange the three-tranche facility. The deal's size forced bankers to finance three of the aircraft through a loan guaranteed by the US Export-Import Bank; two by financial loans; and the sixth through a leveraged lease.

The biggest tranche, the \$410m used to finance two Boeins 777-200 aircraft and one B747-400, is being arranged by Bank of New York and Bank of America, and is guaranteed by the US Exim. Some 15 per cent of the tranche will be in the form of a straight commercial loan. The commercial loan portion, which has a final maturity of 12 years, is expected to pay an all-in return of slightly more than 87 basis points over the six-month London interbank offered rate.

The \$150m tranche used to finance one Boeing 747-400 is split into a debt and an equity portion, with the latter taken up by Bank of America. The loan portion, which could account for as much as 65 per cent of the tranche, will have a tenor of 13 years and is likely to be syndicated. The final \$300m tranche, arranged by the Korean Development Bank, will be generally syndicated. It has a final maturity of 10 years and pays an all-in return of slightly more than 67 basis points over six-month Libor. Louise Lucas, Hong Kong

# Mayne Nickless Optus sale slow

Mayne Nickless, the Australian transportation, security and healthcare group, has received one formal "expression of interest" in its 24.99 per cent stake in Optus Communications, the telecommunications group, and is following up "several other leads". If no suitable buyers are forthcoming, Mayne said it will sell the holding – estimated to be worth about A\$1bn (US\$1.26bn) – in conjunction with the stock market flotation of Optus later this year.

Mayne declined to comment on strong rumours that the one expression of interest received had come from Telecom New Zealand, but acknowledged it was from an overseas buyer. Optus's other shareholders at present include a number of Australian institutional investors, Britain's Cable and Wireless and BellSouth of the US.

## Alenia venture disposal cleared

The board of the Italian state-owned company Finmeccanica has approved the sale of its Alenia unit's 50 per cent stake in Mac-Alenia Marconi Communications to its equal partner in the joint venture, Marconi. Alenia will cede 45 per cent of its shares to Marconi now, with the rest to be transferred in June 1998 for a total price of L247hn (\$161m). Alenia and Marconi, a unit of GEC, set up Mac-Alenia in 1994.

# Promodes expected to sell stores

Promodes is expected to announce the sale of its Dia France chain of discount supermarkets to Germany's Aldi group, Les Echos newspaper reported. The Promodes group's discount chain turnover in Europe has risen to FFr11bn (\$217m) from 1,908 shops last year from FFr7.7bn at 1,509 shops in 1993. However, Dia France last year had sales of only FFr1.48bn from 95 stores. Promodes had decided to sell Dia France because of a law passed requiring new stores of more than 300 square metres to obtain official permission. Dia France stores are about 600 square metres. AFX News, Paris

# Singapore Telecoms placing

Singapore's government investment company has placed 40m shares in Singapore Telecommunications at S\$3.68, a 6.5 per cent discount to Thursday's closing price. Temasek Holdings, which owns about 93 per cent of the national telecoms company, placed the shares with foreign funds through SBC-Warburg Singapore. The move will increase the company's free float of roughly 1.5bn shares and dilute a stock trading at more than 30 times projected 1997 earnings. The shares closed at \$\$3.76 on Friday, down from \$\$3.92 on James Kunge, Singapore

# **KLM** sells Northwest shares

KLM Royal Dutch Airlines has agreed to sell 6,654 shares of Northwest preferred stock back to Northwest for around Fl 650m (\$380m). At least 60 per cent of the price will be paid within six months, and the rest by July 1 1997. The shares were acquired by KLM in 1989 as part of the funding for the purchase of Northwest by a group in which KLM participated. Reuter, Amsterdam

■ JAL, Japan's biggest international airline, forecast a pre-tax loss of Y2hn (\$18m) on revenues of Y1,510hn for the year to March 1997 and a net loss of Y5bn. AFX-Asia, Tokyo

Pechiney chairman Mr Jean-Pierre Rodier has forecast 1996 profits unchanged from the previous year. Reuter, Paris

# Rembrandt | Steel decline causes BHP to disappoint

By Mark Ashurst in Johannesburg and William Hall in Zurich

Rembrandt, the tobacco and industrial holding company controlled by South Africa's Rupert family, has reported net income ahead 33 per cent for the year ended March 31. from R1.17bn to R1.56bn

Rarnings per share rose 28 A final dividend of R37.95 a share was declared, raising the total dividend for the year by

The results are not comparable with last year, when turn-over was R5.4bn. Income from so-called "sin" interests – trademarked liquor and tobacco sales - were 30 per cent higher at R806m, or 54 per cent of retained net income after deductions for essociates.

Rembrandt owns a third of the merged tobacco interests, Rothmans International Holdings, with the balance held by Richemont. Rothmans yesterday underlined its continuing commitment to the tobacco business by buying the Burrus Group, Switzerland's second biggest tobacco company, with a 22 per cent share of the local market. The groups will

merge. Burrus - run by the Burrus family since 1814 - is the last big family-owned owned tobacco business in Europe and its acquisition is a coup for Rothmans, which previously had less than 5 per cent of the Swiss market, but will now become number two

Richemont, which also has extensive media and luxury goods interests, posted a 16 per cent rise in operating profit for the year to the end of March, to £798.9m (\$1.24bn) on net sales revenue 11.8 per

Earnings per share rose 21 per cept to £55.05. The annual dividend per unit was 14 per cent higher at £8. This reflected higher profit from tobacco sales, which rose 21 ner cent to £587m.

and Myanmar.

# ahead 33% in wake of

per cent to 283.9 cents a share. 25 per cent to R62.45.

Analysts said the results were at the upper end of expectations, which were already high after the merger of Rembrandt's tobacco interests with those of Luxembourg-based associate Richemont in January this year. The results included earnings from the merged operation, which had turnover of R7.4bn.

behind Philip Morris.

cent higher at £4.31bn.

The gains exceeded the average growth of worldwide sales among Rothmans group contpanies, which were 2 per cent higher than last year. Volumes in South Africa and the Europe, Indonesia and Australia fell from last year's levels, but were offset by gains in the former Soviet Union, equatorial Africa, the Middle East, Vietnam, Malaysia, Canada

# **Richemont** merger

A steep fall in earnings from its steel division has left Broken Hill Proprietary, the Australian resources group, reporting a 20 per cent fall in profits after tax in the year to the end of May. The company, Australia's largest, made A\$1.29bn (US\$1.02bn) before abnormal

By Nikki Talt in Sydney

Earnings after abnormal items fell from A\$1.22bn in 1994-95 to A\$1.05bn, as the company finally wrote off its ill-fated investment in Vietnam's Dai Hung oilfield in the South China Sea at a cost of A\$151m. The write-off of steelmaking assets in Newcastle New South Wales, meant a further A\$222m charge. These losses were partially offset by a A\$65m tax-related abnormal surplus from the Chilean

items, compared with A\$1,62bn

in the previous year.

operations. Analysts had expected BHP's profits to be down on 1994-95's result after its sharply lower third quarter. But the figures were still below their revised estimates - which clustered around A\$1.35bn-\$1.45bn\_

BHP shares had been falling all week in anticipation of the result. On Friday, they closed at A\$17.57. down 11 cents on the day and 73 cents - almost 4 per cent - on the week.

Mr John Prescott, BHP's managing director, acknowledged that the results were disappointing but still claimed it had been a year in which BHP laid the foundations for its future expansion. Capital expenditure excluding acquisitions was A\$3.6bn, with a similar figure budgeted for 1996-97.

The steel division saw profit before abnormal items tumble 44 per cent from A\$669m to A\$375m on a 5.2 per cent increase in revenues. Mr Prescott said there had been a significant decline in international prices in the second half, while Australian domestic dispatches were 3 per cent down on the previous year. However, he said costs were the division's main challenge. Raw materials, labour, and trans-

port all rose. The minerals division made A\$1.01bn against A\$994m last time, with most areas posting

### The exception was copper, where BHP is now the world's

second largest producer. The average price booked fell from US\$1.27 per pound a year ago to US\$1.18. The recently acquired

Magma Copper business in the US also made a lower than expected contribution owing to some commissioning delays and higher unit costs. Despite the recent turmoil in

copper, BHP said it still viewed the metal's fundamentals as "pretty good", and had not adjusted any investment plans. It was also still dealing with Sumitomo, the Japanese trading house, and was satisfied it was not at financial risk. The petroleum unit posted

profits of A\$419m, against A\$498m. After the write-off, BHP described the outlook for the Dai Hung operations once seen as Vietnam's most promising offshore prospect as "bleak".

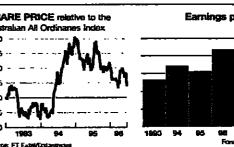
Negotiations with the Vietnamese authorities would continue over changes to the tax structure of the contract, but it would not operate the field

### PROFILE:

### **Broken Hill Proprietary**







Mr Prescott described that share fell from 78.7 cents to point as "relatively close".

65.1 cents. Mr Prescott said Revenue for the group was that there should be no implionce it became cash-negative. A\$19.8bn and earnings per cations for dividend policy.

# Von Roll withdraws from steel with sale to rival

By William Hall in Zurich

Von Roll, which used to be Switzerland's biggest steel producer, is getting out of the industry after more than 100 years. It is selling its steel operation, which has not made a profit since 1990, to von Moos Holding, Switzerland's only remaining steelmaker.

Von Roll, which returned to profit last year after several years of losses, has been agon-ising for years about its involvement as a high-cost producer in a cyclical world steel

industry. It had closed down its Monteforno works, but had appeared to underline its long-term commitment to the industry by continuing to invest heavily in the modernisation of its Gerlafingen plant.

As Swiss industry struggles to come to terms with the problems of a high currency and life outside the European Union, there has been a growing belief that there was room for only one big Swiss steel company. However, Von Roll's decision to sever its long-standing ties with the industry, by

selling its steel business to its two companies would lead to smaller rival von Moos for an undisclosed sum, comes as a surprise, given its leading role in restructuring the steel sec-

Dr Max Amstutz, chairman of Von Roll, said on Friday. "Following the collapse of the steel market in the second half of 1995 and prices dropping to the lowest level ever experienced, it finally became clear to Von Roll that the restructuring process had to be carried still further."

He said the merger of the goal is to raise earnings per bined workforce of 1,900.

substantial cost-savings, but was still sceptical that steel could meet Von Roll's target of a 15 per cent return on net operating assets.

The company's decision to shed its steel operation will allow it to concentrate its resources on its three remaining technology divisions. The proceeds from the disposal will reduce group indebtedness, and management says net profits could exceed last year's SFr27m (\$21.6m) Von Roll's

to SFr4.50, although it will not be drawn on the timescale.

The outlook for von Moos, which will control up to 50 per cent of parts of Switzerland's domestic steel market and will have annual sales SFr900m. depends on its ability to substantially cut costs and capitalise on its strengthened local market position. Some 570 of Von Roll's 6.000-strong workforce join von Moos but both sides declined to speculate on the scope for cuts in the com-



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# Turkey shrugs off politics

An Islamist government in Turkey, one of the Moslem world's few secularist democracies, should be a nightmare scenario to make fund managers' blood run cold. To make matters worse, the economy is a wasteland of inflation, huge government debts, and chronic financial instability.

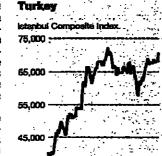
But instead of crashing, the Istanbul stock market is powering ahead with a 7 per cent increase in dollar terms this

On Friday, Istanbul's IMKB index rose 3.3 per cent and the dollar was stable against the Turkish lira, even though the Islamist Refah party was con-cluding its alliance with the conservative True Path party of Mrs Tansu Çiller. A broker said: "The market

rallied on speculation that there is going to be a government and the view that any government will be good news, even if it includes Refah." Turkey has not had an effective government since last Sep-

tember when Mrs Ciller resigned as prime minister. and called elections in Decem-

The market began building in the possibility of a Refahdominated government last summer, driving prices down sharply in dollar terms. By this spring, the IMKB was up by nearly 50 per cent with the formation of a conservative coalition, but fell back in May when the government collapsed after less than 100 days. The index earnings growth in the second



slid by a third and turnover narrowed to \$132.5m - half its level in May 1995.

The market may be up again, but some fear it could lose momentum if the Refah-led government pursues populist or islamist-oriented policies. Meanwhile, there are many who doubt that Refah can last long in power, and see a new political crisis in the offing.

Not everybody thinks political factors are so important. Ms Radhika Ajmera, director of London-based Abtrust fund managers, says: "I am not that worried about Refah. My view has always been that we are backing entrepreneurs, and companies which are doing very well."

Analysts expect big increases in corporate profits. Global Securities, a big Istanbul broker, expects 98 per cent real

quarter after a 71 per cent drop in January-March over the fourth quarter of 1995. Analysts put Istanbul's p/e ratio at just under 6, against 14-20 for

emerging markets in Asia. Optimists are encouraged by the central bank and Treasury's success in keeping the exchange rate on track with inflation. They have revalued the Turkish lira in real terms this year, and are now expected to allow it to decline only slightly in the second half.

The authorities have also stabilised the volatile bond market, avoiding a crisis that could have spilled over into

The Treasury, which had been reduced to rolling over its \$27.75bn domestic debt every three months at real interest rates of more than 30 per cent, has convinced the market to accept paper maturing in 1997. Investors had shunned paper that fell due after December because of confusion over their tax-exempt status.

Still, analysts worry that an upset in bonds could hit the exchange rate and push interest rates even higher, driving equities down. Few expect any trouble soon, in spite of the new Islamist-dominated government, because tax and hard currency inflows are usually strong in the summer. However, most brokers advise investors to take great care come the winter.

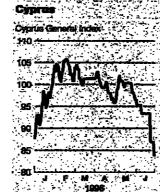
Index	28/6/96	Week on weel Actual	movement Percent	Month on month Actual	n movement Percent	Year to date Actual	movemen Percen
World (431)	164.63	+2.94	+1.62	+3.09	+1.91	+17.07	+11.5
Latin America							
Argentina (22)	105.02	+4.67	+4,65	+1.23	+1.19	+12.24	+13.19
Brazel (23)	241.45	+11.43	+4,97	+16.18	+7.18	+55.35	+29.7
Chile (16)	191.35	+0.85	+0.45	+9.05	+4.97	-4.32	-2.2
Colombia (14)	166.83	-3.85	-2.26	-42	-2.46	+2.58	+1.5
Mexico (24)	83.58	+0.45	+0.54	-5.27	-5.93	+9.98	+13.56
Peru(13)	1,079.86	+17.42	+1.64	+36.39	+3.49	+10.91	+1.0
atin America (112)	142.54	+3.92	+2.83	+2.87	+2.06	+19.4	+15.6
Europe							
Greece (18)	108.37	+2.95	+2.8	+1.46	+1.36	+10.4	+10.6
Portugal (20)	135.53	+3.34	+2.53	+8.72	+6.87	+19.08	+16.3
Turkey (25)	119.01	+1.58	+1.35	+18173	+18.68	+36.21	+43.7
South Africa (30)	147.63	+1.31	+0.89	+2.99	+2.06	-5.75	-3.7
Europe (134)	125.62	+1.87	+1.51	+5.36	+4.46	+4.09	+3.3
<b>Nota</b>							
hine (24)	45.15	+0.12	+0.27	+1.5	+3.43	+4.83	+11.90
ndonesla (31)	146.52	+5.31	+3.76	-6.32	-4.14	+7.88	+5.66
(orea (23)	112.75	-3.35	-2.88	-13.94	-11.0	24.15	-17.6
dalaysia (23)	257.64	-2.18	-0.84	-2.56	-0.98	+30.27	+13.3
akistan (14)	90.27	-0.71	-0.78	-0.61	-0.67	+16.68	+22.6
hülppines (14)	336.62	+4.57	+1.38	+0.29	+0.09	+77.45	+29.8
hailand (25)	239.77	+2.08	+0.88	-14.27	-5.62	-12.12	-4.8
Talwan (31)	182.4	+7.19	+4.1	+26.59	+17,06	+51.58	+39.4
Asia (185)	227.33	+2.41	+1.07	+1.61	+0.72	+24.28	+11,96

# Cyprus acts to ease its growing pains

Cyprus has been suffering growing pains since its transformation in March from an over-the-counter market to an official stock exchange.

After pouring funds into the market early in the year, Greek Cypriot investors have retreated because of concerns over a credit squeeze and the prospect of a poor season for tourism.

The new official index has dropped by more than 8 per cent in the past two weeks amid fluctuations rarely seen in Cyprus's sedate market closing on Friday at 83.87. Share prices have slipped by about 20 per cent from their peak in February.



However, the central bank's recent decision to raise the ceiling on foreign ownership to 49 per cent of listed companies and 15 per cent of banks is likely to attract more international investors to Cyprus. Restrictions that deterred foreigners, such as the requirement for central bank approval of each market transaction, have also been eased.

With 40 stocks and a market capitalisation of C£1.6bn (\$3.4bn), the market still lacks liquidity. Daily turnover averages C£800,000 and brokers complain that few large share blocks are available. One way of deepening the market will be privatisation, now being

US DOLLARS

# Primary eurobond market in line for record year

INTERNATIONAL BONES BY CORRECT MEDICAL

anything to go by, 1996 will be another record year in the primary eurobond market

Large pools of cash, created by highly profitable trading in 1995, and high bond redemp-tion volumes in the current year have led to strong investor demand, while supportive economic fundamentals and relatively stable bond markets have further fuelled the bond

As a result, \$347.6bm of eurobonds have been issued this year, more than 50 per cent more than the \$222.7hn sold during the same period last year, data from Euromoney Bondware show. Some 40 per cent of this year's issuance has been accounted for by US dollars, with D-Marks making up 17.9 per cent and yen accounting for 7.7 per cent.

The French franc sector accounted for 7.4 per cent of new issues, up from 3.6 per cent at the same time last year. boosted in part by the FFr25bn of bonds for Cades, the French government agency set up to manage the country's accumulated social security debts. Sterling bonds increased their market share to 7.3 per cent from 5 per cent last year.

Fierce competition among underwriters has also worked in borrowers' favour. So eager

capture business that they subsidise swaps and hold on to loss-making secondary bond positions just to get the man-dates, bankers say.

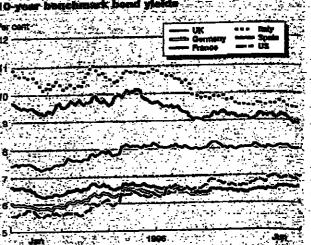
"Many commercial banks are willing to pay a high price to break into the international fixed-income business," said one syndicate official. Nonetheless, the underwrit

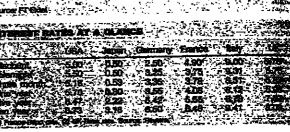
ers' league tables remain dominated by US investment houses rather than their commercial bank competitors. Merrill Lynch has held on to its lead of the past two years with \$24bn of deals, followed by Morgan Stanley with \$20.9bn of bonds, Goldman Sachs with \$18bn, SRC Warburg, CS First Boston and Lehman Brothers.

Deutsche Morgan Grenfell, the German bank which has been aggressively recruiting capital markets specialists this year, is in seventh place, followed by J.P. Morgan, Union Bank of Switzerland and ABN Amro Hoare Govett. Reflecting the sharp decline

in yen issuance, the Japanese banks have fared poorly. Nomura Securities, which stood in fourth place this time last year, has slumped to 12th, Daiwa has fallen to 18th from 11th place, and Nikko has slipped to 21st from 17th. An important feature this

MIERNATIO	LAL BON	D ISSUES	BY CURRE	NCX
1996 Rink Currency rai	Total M	o. of 1996 sues Rank	Total	No. of
USS 2 D-Mark	137.98 62.38	688 1 221 2	12.93 43.09	490 (4)
S Yen	26.85, 25.67	535 S 58 2 7	85,65 8,12	4.00
5 Sterling 6 SFT	25.37 14.74	115 5 168 4	14.05	13
7 Line 8 Guilder -	11.72 11.50	63 8 51. 9	696	
9 AS 10 Peseta	6.09 5.41	63 10 46 12	187	72





year has been the tremendous investor appetite for securities that offer a yield pick-up over government bonds. This has resulted in a surge in issuance of emerging market debt and asset-backed securities - the latter including the jumbo \$4bn securitisation for GPA, the Irish-based aircraft leasing company.

European interest in asset securitisation has grown sharply: recent months have seen the first credit cardbacked offering in D-Marks -DM1bn for Citibank - and France's largest securitisation, a FFr5bn deal backed by loans to pharmacists. More supply is in the pipeline: Fortis, the Dutch-Belgian financial group, is preparing the first guilder-denominated asset-backed deal, FI 500m of 10-year bonds, while Discover, the US credit card company, plans to issue DMIbn of bonds.

"Investors - especially those who buy floating rates - are crying out for this instrument: it is the only way they can get

FRENCH FRANCS

IDLIAN LIN

AUSTRALIAN DOLLAR

triple A rated paper with a yield above Libor," said I David Tory of Merrill Lynch. A shift is also taking place in investors' credit perceptions, with fund managers who previously bought only triple A and double A rated paper becoming increasingly receptive to single A rated bonds - especially large, liquid transactions like Disney's \$2.6bn of five-year and

"This trend is driven by a hunger for yield, but also by investors' need to take a more diversified approach to the market to generate above average performances," said one banker.

Looking forward, traders see no big stumbling blocks looming, although some say the borrowing frenzy of the first six months may run out of steam in the second half. The major borrowers are so

far ahead of their borrowing schedule, it's hard to imagine that the second half will be as active as the first," said Mer-

**经**等分类点。

### **EQUIFUND - WRIGHT NATIONAL EQUITY FUNDS**

Société d'Investissement à Capital Variable gistered Office: Luxembourg, 14, rue Aldringen RC Luxembourg B 32.557 Notice is hereby given that the

ANNUAL GENERAL MEETING of shareholders will be held at the offices of Banque Générale du Luxembourg, 30 Avenue J.F. Kennedy, Luxembourg, on 9th July, 1996 at 3.00 p.m. in order to resolve about the following:

Presentation of the management report of the Directors and the report of the Auditor.
 To approve the statement of assets and liabilities and the statement of operations and changes in net assets for the year ended March 31, 1996.
 To decide on the allocation of results of the year ended March 31, 1996.
 To decide on the allocation of results of the year ended March 31, 1996.
 To electors with respect to their performance of duties for the period ended March 31, 1998.
 To elect / re-elect the Directors
 Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting

In order to take part at the stautory meeting of July 8, 1896, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, with the following bank:

**Halifax Building Society** 

£200.000.000

Subordinated Variable Rate Notes with a maturity of 12 years orly Subordinated Variable Rate Notes issued by Leeds Permanent Building Society)

Notice is hereby given that for the three months interest period from June 27, 1996 to September 27, 1996 (92 days) the Subordinated Notes will carry an interest rate of 6,275%. The interest payable on September 27, 1996 for the Subordinated Notes will be £157.73.

ed in England under the Building Societies Act 1986) Issue of up to an aggregate of

BANQUE GENERALE DU LUXEMBOURG S.A. 50 Avenue J.F. Kennody, L-1855 Luxembourg.

The Board of Directors.

# C.A. La Electricidad de Caracas SAICA-SACA U.S. \$209,554,000 U.S. \$13,628,000 U.S.\$23.247.000

A-1 will groupent to U.S. \$15,18405 per \$1,000 passingly amount of which U.S. NA. DIAME INSTITUTE STUDY OF WHICH U.S. SENS. 55 persons operationally. St. 2444 per U.S. SENS. 6A well amount to U.S. SENS. 5444 per U.S. SENS. 5444 per under U.S. SENS. 5444 per U.S. SENS. 5444 per under U.S. SENS. 6444 per

To Holders of Republica Federativa do Brasil Series A-L IDU Bonds Due 2001 Notice is kereby given that the Bonds will bear interest at 6.6875 per cent per annua for the 185 day period from I July 1996 to but not including 2 January 1997. Interest psychia on a the Bonds on 2 January 1997 amounts to US\$34.37 per US\$1,000 principal amount outstanding. MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
at Facal Agent and Calculation Agent

Notice of Interest Rate

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Peoples Republic of CabaCaptina Finance, Al-Bright
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**NEW INTERNATIONAL BOND ISSUES** 

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(2) 125 Jul 2007 (7) 100.00 2247 +105(77-1%-06) UBS windows 8.125 99.2338 9.247 +105(77-1%-06) UBS windows 85(pt) 100 Jul 2007 (pt) 99.85 - 58C Wardway 100 Jul 2007 (7.75 99.578 7.773 +2007%-07) Mileto Essage 150 Jul 2006 8.75 99.5528 8.819 +88(77-2%-06) HSBC Markets Den Danste Best(D‡ Sociát) Géotrale(g) Biratingteso Midshires DePla Finance(s)

Image Greens du Long demotrant Frence Corpt) 2nn Dec 2004 6.50 102.55 8.07 2nn Dec 2004 6.375 102.25 8.072 2nn Dec 2000 5.375 101.894 4.899 alst-Oper Max

Notice of American Control of the American Information of SUN LIFE GLOBAL PORTFOLIO will be held at 14, rue Aldringen, Luxembourg on 10 July 1996 at 3.30 p.m. for the following purposes:

1. To heer the management report of the Directors and the report of the Auditor.

2. To approve the Statements of Total Net Assets and the Statement of Operations for the year ended 31 March 1996.

3. To discribe the Directors with respect to their performance of duties for the year ended 31 March 1996.

4. To elect the Directors to serve until the next Annual General Meeting of Shareholders.

Shareholders.

5. To elect the Auditor, specifically KPMG Audit, to serve until the next Annual General Meeting of Shareholders.

6. Other matters. Approval of the above resolutions will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum numbe of shares present or represented in order for a quorum to be present. Each whole share is entitled to one vote. A shareholders may act at any meeting.

SUN LIFE GLOBAL PORTFOLIO Société d'Investissement à Capital Variable Registered Office: Luxembourg, 14, tue Aldringen Commercial Register: Luxembourg Section B n° 27526

Notice of Annual General Meeting

**Commonwealth** Bank Australia Commonwealth Bank of Australia ACN 123 123 124 (successor in lew to the State Bank of Victoria)

By: The Chase Manhettan Benk, N.A. London, Principal Paying Agent

**○** CHASE

Nafin Finance Trust II U.S. \$129,880,000 ting Rate Notes due 1999 U.S. \$125,000,000 Floating Rate Notes due 1999
For the Innerest Period 28th
June, 1996 to 30th September,
1996 the Notes will carry a
Rate of Interest of 8.075% per
armum. The Coupon Amount
per original U.S. \$10,000 Note
will be U.S. \$39.56 payable on
30th September, 1996. 10-Year Extendible Floating Rate Capital Notes For the six months 28th June, 1996 to 31st December, 1996 the Notes will carry an interest rate of 5.84688% per annum with an interest amount of U.S. \$302.09 per U.S. \$10,000 Note. The relevant interest payment date will be 31st December, 1996.

Listed on the London Stock Exchange Bankers Trust Company, London Agent Bank

£150,000,000 GUARANTEED RIGATING RATE NOTES DUE DECEMBER 1997 Citicorp Finance PLC naviditionally Guaranteed by CITICORP® Notice is hereby given that the Rote of Interest has been fixed at 5,975% and that the interest poyable on the relevant Interest Payment Date September 27, 1996 against Coupon No. 43 in respect of £10,000 naminal of the Notes will be £150.19.

Joby 1, 1996, tondon By: Calbank, N.A. (Corporate Agency & Trust), Agent Bank. CITIBANCO

G.A. La Electricidad de Caracas, 1995 the Bonds will carry an interest Fit 8.625% per assum. The interest popular we street internet prepared date, September 30, 1996 will be U.S. \$14.00 per U.S. \$1,000

the commence of the control of the c

Bankers Trust Company, London Agent Bank

**LEGAL NOTICES** In the High Court of Jestice No 003254 of 1996 Chancery Division Companies Court

IN THE MATTER OF

THE COMPANIES ACT 1985

NOTICE IS BEREBY GVEN that a Petition was on the 11th day of fune 1996 presented to Her reduction of the 1984 presented to Her reduction of the interest of the configuration of the reduction of the share premium account of the reduction of the share premium account of the show manuel Company by C2A,300,000.

AND NOTICE IS FURTHER GIVEN that the said Peniston is directed to be heard before the Companies Court Registers sixting at the Royal Contra of Justice. Strand, London WC2A ZLL on 10th July 1996.

ANY CREDITOR or shareholder of the Company desiring to appose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of hering in person or by Commel for the purpose. A copy of the said Penision will be fundamed to say such person requiring the assets by the under mentioned Solicitors on payment of the regulated changes for the sund.

Dated the 1st day of July 1996

Adhest Morris Crisp

Broadwalt Houre

5 Appold Street 5 Appold Street London BC2A 7HA Tel: 0171 638 1111 Ref: SAW/A2940585

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# International **Trade Finance**

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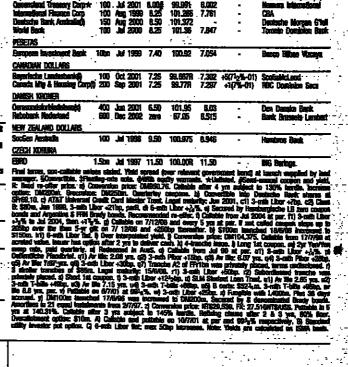
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For further information and a sample **Charlotte Green** 





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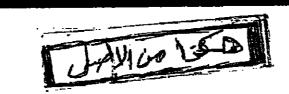
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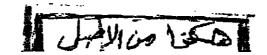
The Nippon Credit Bank (Curação) Finance, N.V. U.S. \$500,000,000

Subordinated Floating Rate Guaranteed Notes 2000

In accordance with the terms and conditions of the Nores, notice is hereby given that the interest rate for the Inserest Period from 28th June, 1996 to 30th September, 1996 is 6.025% per annum. The Coupon Amount payable on the 30th September, 1996 in respect of each of U.S. \$10,000 in principal amount of each Nore is U.S. \$157.32. Bankers Trust

Company, London





# Micegan IV. FINANCIAL TIMES MONDAY JULY 1 1996

### **MARKETS:** This Week

Benchmark yield curve (%)

FT-SE-A All-Share Index

7,840 21 24 25 25 27 28

100 index drifted towards the

lower end of its recent 3,650

seemed, because of a lack of

companies due to report this

week - Scottish & Newcastle

and GEC - it is hard to see

what will provoke investors'

The purchasing managers'

index will give the month's first clue as to the health of the

economy, but the key figures

are not due for a couple of

With only a couple of leading

-3.850 range: mainly, it

buying interest.

interest.

June 1996

1,870 -- 1

Source FT Edel

Interest in the two-day Federal Reserve Open Market Committee meeting which starts tomorrow waned towards the end of last week as the bond market took the view that the policymakers would not increase interest rates, at least this time round.

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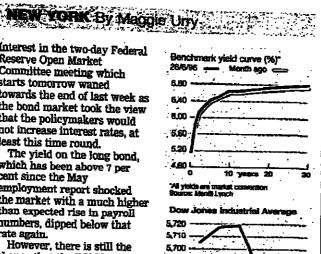
is suprem

The yield on the long bond, which has been above 7 per cent since the May employment report shocked the market with a much higher than expected rise in payroll numbers, dipped below that

rate again.
However, there is still the chance that the FOMC will make a statement hinting at the future course of interest rates, and the market is no longer discounting had news Further, this Friday sees the publication of the June employment figures. The statistic has become a market-mover ever since the February number led to a sharp sell-off in the stock and

bond markets in early March. According to a survey by MMS International, the median forecast is for a rise of 150,000 in non-farm payroll numbers. That would be well below the 348,000 for May, but is still a robust number suggesting second-quarter economic growth has been well above a

sustainable level. Among other news this week that could affect the markets is today's National Association of



-Jame 1986 Purchasing Manager's index where MMS says forecasts are for 51 per cent, up from May's 49.3 per cent. Coming the day before the FOMC meeting starts, that number could carry a lot of weight with the

24 25 26 27 28

5.690 -

5,680 -

market, say economists at CIBC Wood Gundy Securities. Other figures this week include construction spending. home sales and factory orders. However, the markets are also likely to be in the grip of holiday fever, and will be closed for Independence Day on Thursday.

### LONDON By Philip Coggan Interest rates will once again be the focus this week, with the Open Market Committee of the US Federal Reserve meeting in Washington and the latest pow-wow between the chancellor and the governor of the Bank of

England taking place in

London. UK markets are unlikely to make much progress until it becomes clear whether the Fed, as some fear, will act to raise rates. The end of the week might see some odd trading patterns since on Thursday the US enjoys its Independence Day holiday and Friday sees the publication of the highly market-sensitive non-farm payroll figures.

The last UK monetary meeting produced a surprise rate cut, and statistics since then have appeared to back the chancellor's judgment. That may mean he will feel emboldened to press for a further reduction; but Mr John Shepperd, chief economist at Yamaichi International (Europe), says "there is a good case for waiting at least another month to avoid giving the impression of politically-inspired indecent

Gilts showed some strength last week, helped by a rally in US Treasuries and a successful E3bn auction. But equities seem already to be stuck in the summer doldrums. The FT-SE

# FRANKFURT By Andrew Fisher

nothing happened, but the markets still reacted with disappointment over the Bundesbank's unchanged interest rate stance last week. (repo) rate at 3.30 per cent still holding open the possibility of a cut later - and expressed the hope that M3 would retreat from its steep annualised rises of recent

Tietmeyer, the central bank's president it will follow a policy. He also expressed the desire for a strong dollar, having welcomed the reversal rise last year. However, door on further interest rate reductions, the dollar eased. The stock market was also affected by the backwash of the Bundesbank meeting. The

DAX index closed on Friday

OTHER MARKETS Compiled by Michael Morgan

For now, said Mr Hans

6.00 ---

5.00 -

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2,560

2,550 -

DAX Index

Benchmark yield curve (%)"

28'6'96 - Morch ago -

10 years 20

just below recent record levels.

having been helped by sharply

Though these were much as

foreshadowed, dealers took the

chance to reverse the previous

decline in Allianz shares, a big

component of the DAX and

held by many investors as a

industrial stakes. Once the

further good news about the

economy should buoy the DAX

interest rate scene clears,

because of the group's

proxy for the German market

higher 1995 profits at the

Allianz insurance group.

Nothing was expected and It left the securities repurchase

Mildly confident noises were also made about the economy. These upset the bond market. which took them to imply that no further interest rate cuts were in the offing. However, economists have not totally ruled out another repo cut. As for M3, the Bundesbank will review its 1996 target range of 4-7 per cent in July and see whether it is likely to be met or needs revising.

'steady-as-she-goes" monetary of the D-Mark's over-exuberant because his monetary remarks were interpreted as closing the

### TOKYO By Emiko Terazono

Weaker industrial production figures released last Thursday beloed calm litters over a possible rise in interest rates providing support for Tokyo bond and stock markets. With May industrial

production rising 2.3 per cent from the previous year – well below expectations, and sending a conflicting message from surprisingly high first-quarter GDP growth figures released earlier this continue to try and assess the exact pace of economic

recovery.
This week they will be focused on how monetary authorities in the IIS and Japan see prospects for economic growth and interes rates. The US FOMC is convening this week and the Bank of Japan will hold its quarterly branch managers'

meeting.
At the BoJ meeting, heads of branches around the country will discuss regional economic conditions. They are likely to confirm that recovery remains gradual. Mr Yasuo Matsushita will hold a press conference on Wednesday to report on the

discussions.
The meeting will give bond traders an excuse to retrain from trading, and prices are likely to stabilise following the confirmation of a gradual recovery. Stable long-term interest rates will provide

prove to have peaked with the

1996 result. The easing of inter-

est rates was coming to an end

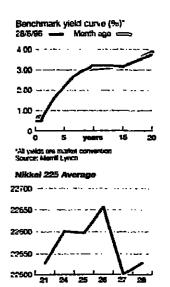
activity in the second half of

this year might be deemed sup-

portive, there are signs that

the best of the Nordic run has

the year, and by 38 per cent



underlying support for the stock market, and the Nikkei index is expected to move in a narrow range between 22,500. the current support level, and

While some investors have started to take profits, "there isn't much reason for a large fall", said Mr Yuichi Matsushita of Nikko Securities.

With the Nikkei up by 50 per cent from its low last July, investors who have already stocked up on large capital and international blue chips are looking for issues to buy.

# SOMMODERES By Richard Mosney Focus set to remain on copper

Copper seems certain to remain the centre of attention in the commodities world this week, with traders keen to see whether the calmer sentiment that emerged in the market towards the end of last week can be maintained.

Prices of the metal on the London Metal Exchange bounced from the lows reached in mid-week and on Friday were consolidating at the higher levels. At the same time, the cash premiums were narrowing as traders came to the conclusion that orderly liquidation of Sumitomo Corporation of Japan's massive holding was under way, easing the squeeze on holders of "short"

LME dealers said last Friday that further, relatively modest

following the price plunge triggered by revelation of the scale of Sumitomo's losses. In the longer term, however, many thought the market would ease lower as expectations of a growing supply surplus were

Mr Angus MacMillan, research manager at Billiton Metals, part of Gencor of South Africa, suggested copper prices could be at \$1,600 a tonne by the end of this year. "That would cover the cash [operating] costs of most of the industry," he said.

Mr Nick Moore at the Flemings Global Mining Group forecast that copper would range between \$1,760 and \$1,984 over the next two years.

gains were possible as the market continued the "correction" 

• Events this week include a presentation to the Association presentation to the Association of Mining Analysts in London tomorrow by Cyprus Amax Minerals of the US.

Also tomorrow, the four-day West African International Mining Exhibition and Conference will begin in Accra. Ghana..

On Wednesday, the International Primary Aluminium Institute will release its stocks data for May. Today in Abidjan, the Ivory

Coast's capital, the United Nations Common Fund for Commodities begins its fourday annual workshop on commodity development in Africa. In Paris, on Friday trading in the new European milling wheat futures contract will commence at the Matif.

MOSCOW

Expectations that incumbent Russian president, Mr Boris Yeltsin, was likely to he re-elected on Wednesday kept the equity market soaring in the early part of last week before a bout of second thoughts brought a pull-back on Thursday and Friday. Nonetheless, the Moscow Times index still advanced sharply on the week, taking its rise since mid-May to about 90 per cent. Much of the demand was

said to be from foreign investors who began buying the market after the first round of presidential elections on June Local analysts identified

another new trend: investors

were looking beyond the top

five to eight most liquid shares

and were actively seeking out

second-tier stocks.

ING Barings believes the country is entering a period that will be very positive for Russian markets of all asset classes. However, it warns that excessive enthusiasm should be tempered with realism.

In the Russian context, a Boris Yeltsin-Alexander Lebed combination might represent something of a dream election ticket, but experience since the onset of transition has demonstrated that progress has been anything but smooth and that this is unlikely to change.

The incoming administration would need to deal with a series of daunting problems, ranging from finding a permanent solution in Chechnya and curbing the excesses of corruption, to tightening significantly and quickly the fiscal stance in order to bring down interest rates and avoid a rapid escalation of internal indebtedness.

### **MADRID**

The equity market looked rather as if it could not make up its mind where to go last week, with shares flat on Friday in relatively thin trade. enlivened only by some end-ofquarter window dressing.

However, Robert Fleming Securities says the market's current level, back at that seen in pre-election optimism relative to the rest of Europe, makes no allowance for the long-term downgrading of political hopes for the market.

It recommends an underweight exposure to the market. arguing that the performance relative to Europe since the election makes no allowance for the fact that the new government has been forced to pull some important punches. nor for the longer-term risk that the Popular Party could

and Emu-inspired performance in the bond market left little to chance.

**NORDIC** Export performance is a significant driving force behind Nordic equity market performance. particularly for Sweden, and while a pick-up in European

already been seen, according to NatWest Markets. It says that the relative performances in the region have differed markedly, with Sweden the leader - appreciating by 14.9 per cent in local currency terms since the start of

over 18 months. Such gains have provided some stimulus to Norway, which is up 13.4 per cent this year. However, Denmark has been struggling. alongside Finland in a relative context, indicating that the Scandinavian markets do not always move as a block.

## HONG KONG

Investors will be tuned to this week's meeting of the US Federal Open Market Committee on interest rates, urites Louise Lucas. In the absence of domes tic news, the outlook on US interest rates is a key theme in the market.

Specific attention is likely to be focused on the 20 Hong Kong-listed China companies. or H shares, in anticipation of an easing in credit on the mainland in the second half of the year.

# CURRENCIES By Philip Caveth Foreign exchange markets to deliver verdict on G7

Foreign exchange markets have two important meetings to look forward to this week, but the tone of their activities is likely to be determined by the market's considered response to last Friday's G7 statement on currencies.

The G7 said it welcomed the "broad moves in the major currencies" over the past year, adding that these were both

"Promising" is clearly a word which connotes a sense of something unfulfilled, and it is difficult to believe the G7 did not realise this. To that extent, the communiqué looks like an invitation to buy more dollars.

Against that, Mr Robert Rubin, the US treasury secre-tary, said on Friday that the currency statement in the communique was not intended to

been given. The immediate focus is likely to be on the dollar/yen rate, which has been flirting for some time now with Y110. A sustained inability to break through will have to cast doubt on the momentum

could well take it into new, higher trading ranges.

behind the dollar, but a breach

appearing to have much appetite for a stronger dollar.

The two events which could feed into this thinking are the Bank of Japan's branch managers' meeting, and the gather-ing in the US of the Federal

Open Markets Committee. The BoJ meeting is unlikely to deliver any increase in rates

This week is likely to determine just how much of a green and Japan are happy with curflag the market deems it has rent levels, with neither last week was that the econlast week was that the economy remains weak.

In the US, the FOMC is expected to leave rates unchanged. The employment report on Friday will also be closely watched. On the political front, the key event is the Russian election. Recent developments would appear to favour a dollar-friendly Yeltsin

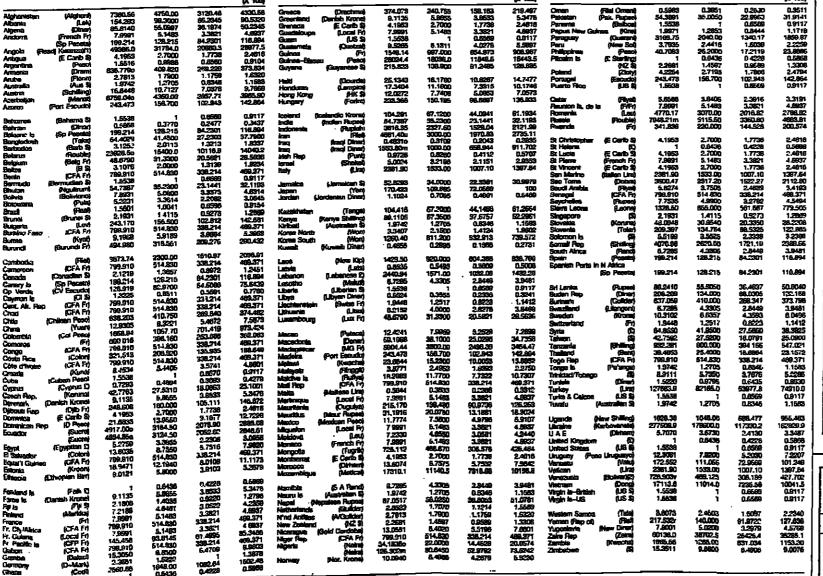
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### **CROSS BORDER M&A DEALS** BIDDER/INVESTOR TARGET SECTOR COMMENT VALUE Tomkins (UK) \$1.37bn Gates Corporation (US) Regulatory concomponents sents received Winois Tool Works Azon (Australia) Metal products Riding to rescue ADT (Bermuda) ASH (UK) \$131.1m Security services Recommended offer Strategic KPN-Tella (N'lands/Swed) Telecom Eireann (Ireland) Telecoms Software buy Holistic Systems (UK) Computer services \$84m Seagate (US) Israel General Bank (Israel) Control stake Banking **BPB** Industries (UK) Gypsum Industries (S Africa) Plasterboard Stake nears 85% Pursuing listing objectives Van der Horst (S'pore) Super Indah Makmur RMC (UK) Nowa Huta (Poland) Cement Stake gives foothold GWR (UK) Radio Edelweiss Broadcasting

### "positive and promising" develimply a further rise in the dol-At the moment the prevailsince the clear message of FT GUIDE TO WORLD CURRENCIES The table below gives the latest available rates of exchange (rounded) against four loay currencies on Finday, June 25, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

£ 5T8

US\$ D-MARK



# Energy International N.V.

(Incorporated with Limited Liability in the Netherlands Antilles)

Shareholders in Energy International N.V. ("the Fund") are convened to attend the Annual General Meeting of Shareholders to be held on Wednesday, 31st July, 1996 at 10.00am at the registered office of the Fund at Pietermaai 15, Willemstad, Curaçao, Netherlands Antilles.

The items on the agenda are:-

Approval of the Report of the Board of Management on the Fund's affairs for the year from 1st April, 1995 to 31st March, 1996.

Approval and adoption of the balance sheet as at 31st March, 1996 and of the statement of operations for the year ended 31st March 1996.

Ratification of the actions of the Board of Management for the year ended 31st March, 1996.

3)

March, 1996.
To declare a dividend of US\$1.80 per share for the year ended 31st March, 1996.
Election of the Members of the Board of Management. In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting, holders of bearer shares must deposit their share certificates (or a deposit receipt for the share certificates) mentioning their names, addresses and nationalities at the registered office of the Fund not later than 24th July, 1996.

The Fund's Audited Annual Report to 31st March, 1996, proxy forms and deposit receipts are available to bearer Shareholders from the Fund's Administrator or any of the

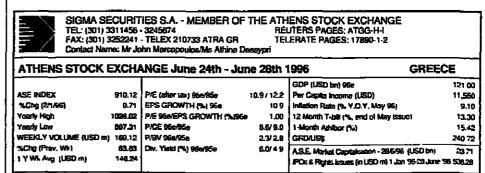
Mercury Asset Management Channel Islands Ltd.
Forum House, Grenville Street, St. Helier, Jersey, JE4 8RL, Channel Islands

Banque Internationale à Luxembourg SA 69 Route d'Esch

L-1470, Luxembourg Westdeutsche Landesbank Girozentrale Herzogstrasse 15 40217 Düsseldorf, Germany

Commerzbank Aktiengesellschaft Neue Mainzer Strasse 32-36 60261 Frankfurt am Main, Germany

By order of the Board of Management 1st July 1996



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INDEX FUTURES

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- MOST ACTIVE STOCKS: Friday Julie 28, 1996

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41.22 (6/1/32) 54.99 (1/10/81) 12.32 (8/1/32) 10.53 (8/4/32)

4.60 (1/6732) 3.62 (21/6/82) 8.64 (1/10/74) 4.66 (25/4/82) 29.31 (9/12/72) 54.67 (51/18/72)

Year ago 2.42 Year ago 2.14 18.60

5778.90 (225/96) 108.77 (1810/93) 2296.26 (225/98) 258.46 (31/8/93)

678.51 (245.96) 807.88 (56.96) 68.58 (57.96) 363.74 (245.98) 614.90 (225.98) 1245.14 (576.96)

Jun 7 2.16 Jun 12 1.87 19.65

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# THE WEEK AHEAD

# **DIVIDEND & INTEREST PAYMENTS**

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**TODAY** Red Pref 3.25p AG Hidgs 2.25p APV 1.7p Alked London Props 1.18p Amco 3.5p Appleby Westward 5.8p Asda Property 1.8p Bank of Greece 94% Bd 2003 Barbedos (Govt of) 131/2% Ln 2015 6.75p udon Cv Pf 3.625p BAT Inds 18,43750 BICC 8.5p Do Cm Pf 4.3p BLP 2.2p BSG int 2.5p Baxter \$0.3025 Baynes (Charles) Cv Non-Cm Pf auford 0.4p Bellway 2,55p Bellway 2,55p Birmingham 2½% 1926 £1.25 Do 3% 1947 £1.50 Do 3% 1932 £1.50 Do 3%% 1946 £1.75 Do Gas Anns 50p Do Water Anns 50p Blackburn 31/2% Irrd £1.75 Do 4% Cors Do £2.0 Blockleys 0.01p Do 6% Pf 1.05p Blue Circle 8.5p Broe Circle 8.5p Do 7%% Cv Pf 3.8125p Booker 15.2p Booker 15.2p Boosey & Hawkes 5½% Cm 1st Pf 2.45p Do 7% Cm Pf 2.45p Bowness Leisure 4.5p Bowthorpe 6.5p Brake Bros 6.8p Bristol Water 10.4% Rd Db 2000/02 £5.20 British Aerospace Cv Pf 3.875p Broadcastle Cm Rd Pf 4p Brunel Cv Pf 2.3p Bulmer (HP) 9½% Pf 4.75p Do 8¾% 2nd Pf 4.375p 2.1p Do 8% 2nd Cm Pf 4p GBE Int 1p GTE \$0.47 Bunzi 3.80 Garton Eng 5.25p Calor 6.5p Camas 2.5p Cambridge Water 4% Cons Perp Do 13% Rd Db 2004 26.50 Canning (W) 4.8p Capital Inds Cv Pf 2001/05 4p

Caverdale 0.18p Claremont Garments 5.25p Coastal \$0.10 Coats Vivella 5.1p Cobham 4.2% 2nd Pf 2.1p Cobitem 4.2% 2nd Pf 2.1p
Concentric 2.05p
Cooper (F) 0.85p
Cordiant 6% Cv Ln 2015 23.0
Country Casuals 4p
Country Gardens 10% Rd Pf 5p
Crane Europe 5½% Cm Pf
1.925p
Croda Int 6.1p
Doc IR4.19p
Dalwa Int Pin Ent/FRN Jun 2012 Dalwa Int Pin Fxd/FRN Jun 2002 \$7500.0 De Beers Centenary Fin 9%% Gtd Bd 2020 4.875p Dee Valley Water 7%% Rd Pf 1996/98 3.9375p Delta 14.4p
Dencora 4.1p
Dencora 4.1p
Development Sec (Invs) 11% 1st
Mtg Dio 2016 25.50
Dewhirst 2.6p
Eadie 0.8p Edinburgh Inv Tst 111/2% Db 2014 25.75 WEIllott (B) 3.15% Cm Pf 1.575p Era 0.1p Export-Import Bank of Japan 91/2% Gtd Bd 2000 \$475.0 Febrstowe Dock & Riwy Pf Units 28,905 26,905
Fleming High Inc Inv Tst 1.2p
Fleming O'seas Inv Tst 41/4%
Perp Db 52.25
Folkes 1.82p
Do NV/tg 1.82p
Folkestone & Dover Water 4%
Perp Db 52.0 Do 5% Perp Dt \$2.50 Do 111/2% Rd Db 2004 \$5.75 Friendly Hotels 4%% Cv Pf 2.375p Do 7% Cv Pf 3.5p Do 111/6% 1st Mtg Db 2015 Frost 3.8p Fuller Smith & Turner 4.2% Pf Geest 4.4p Gencor 6% Gross Cm Pf R0.06 General Accident 20.3p Do 8%% Cm Ind Pf 4.4375p General Cons Inv Tst Stppd Pf 2.318p Gleves 1.5p Goldsmiths 3.3p Govett Oriental Inv Tst 1.1p Grand Metropolitan 5% Cm Pf

1.75p Do 6%% Cm Pf 2.1875p Greycoat 0.8p Guardian Royal Exchange 5.9p Henson 3p Harrisons & Crosfield 5.4p Hartlepool Water 4.5p Headlam 3.6p Hewetson 7% Cm Pf 3.5p Higheroft Inv Ts 3.75p Hillsdown 7.3p Hitachi Credit 71/2% Nts 1997 \$71.25 House of Fraser 3.8p How 0.75p Hulf 3½% (1st lss) £1.75 Huntleigh Technology 4.5p ICI Fin (Netherlands) 8% Gtd Bd 1996 \$400.0 iceland Cv Pf 2.75p inchcape 4p Invesco 4p Jackson 1.3p Johnson Grp Cleaners 9% Cm Pf 3.15p Pf 3.15p
Kenning Motor 5½% Cm Pf
1.925p
Do 7% Cm Pf 2.45p
Kensington & Chelsea 11.15%
Rd 2008 £5.575
Kwik Save 5.95p
Lamont 9.15p
Leeds 2½% Rd 1927 £1.25
Do 3% Db £1.50
Do 5% Ind £2.50
Leeds Grp 2.3p Leeds Grp 2.3p Leo 1 Class A1 Mtg Bckd FRN 2035 £1452.05 Leo 2 Class A1 Mtg Bckd FRN 2032 £85.19 2032 1.63.19 Do Class A2 £158.50 Lilleshall 5% Cm Pf 1.75p Do 9% Cm pf 4.5p Lincoln 3% Rd £1.50 Liverpool 21/2% Rd £1.25 Do 23/4% Rd £1.375 Do 31/2% £0.875 Lowland Inv 111/2% Db 2010 £5.625 Lucas 2.1p MEPC 10%% 1st Mtg Db £5.375 Do 12% Bd 2006 £600.0 Do 91/4% Cap Ints Ser A Do 91/4% Cap Intis Ser A \$0.570313 Machester Ship Canal 31/4% Perp 1st Mtg Db £1.75 Do 31/4% Perp Db £1.75 Do 4% Perp 1st Mtg Db £2.0 Do 4% Perp Db £2.0 Marshalls I Intiversal 71/6% Cm F Marshalls Universal 71/2% Cm Pf 3.75p Martin Int 0.65p McCarthy & Stone 0.55p Do 8%% Cm Pf 2003 4.375p

McKechnie 6p Merchant Retail 5% Cm Pf 2.5p Do 8¾% Un Ln 1999/2004 £4.375 Mersey Docks & Harbour 35/4% Ind Db £1.8125 Do 6%% Rd Db 1994/97 £3.3125 Metropolitan Water East London Water 3% Db £1.50 Microvitec 0.45p Mid Kent Water 9%% Rd Db 1997/99 £4.9375 Do 124% Rd Db 2005 £6.125 Mid-Sussex Water 4% Perp Db 52.0 Do 5% Perp Db £2.50 Do 11% Rd Db 2012/16 £5.50 Mowtern (John) 2p Mucklow (A & J) 3.2374p Do 11½% 1st Mtg Db 2014 £5.75 Murray Enterprise 0.825p Murray Inc Tst 4%% Cm Pf 2.1250 Newey 5% Cm Pf 1.75p New South Wales Treasury 11½% Gtd Exch Bd 1999 A\$575.0 Next 8p Nordic Inv Bank 5%% Nts 1998 \$562.50 North East Water 10.3% Rd Db 1998 25.15 North Surrey Water 5% Db \$2.50 Norway (Kingdom of) 9% Nts 1996 Ecu450.0 1996 Ecu450.0
Oldham 4% Db 22.0
PCT 5p
P & O 6%% Cv Pf 3.375p
Do 5½% Rd Non-Cm Pf 5.5p
PStT 8% Cm Pf 4p
Pacific Dunlop A\$0.11
Park Estates 5p
Pentland 1.95p
Perpetual 19p
Perry 5.1p Perry 5.1p Port of London Authty 3% A 1929/99 £1.50 Poweel Duffryn 4%% Cm Pf Poweel Duffryn 44% Cm Pf 0.83125p Premier Health 6% Cv Ln Nts 2000 3p RTZ 3.325% A Pf 1.6625p Do 3½% B Pf 1.75p Reading 3% 1962 £1.50 Recklitt & Colman 5% Cm Pf

2.875p SEC 2p SR Fin Rd Pf 2009 3.9375p S & U 12.5p Sabre Lease 7¼% Mezz Sec Nts 2001 £181.25 Do 5.8% Snr Sec Nts 2001 £1450.0 St Davids Inv Tst 3p Samancor O'seas Fin 7% Gtd Bd 2004 \$350.0 Sara Lee \$0.19 Savoy Hotel 4% 1st Mtg Db Savoy Theatre 4% ist Mtg Db £2.0 Scottish Amicable Fin 81/2% Sb Gtd Bd £85.0 Scottish Mortgage & Tst 3.5p Sears 2.9p Do 7% A Cm Pf 2.45p Do 7% A Cm Pf 2.45p
Do 7%% Cm Pf 2.625p
Do 12½% Cm Pf 4.375p
Silentnight 5.25p
Simon Eng 5.4% Cm Pf 2.7p
Do 6% Cm Pf 2.1p
Do 7%% Rd Pf 1992/97 3.875p
Simons 7½% Cm Pf 2.625p
Smith (J) (Field Head) 5½% Cm
Pf 1.925p
South Australian 3% Cons
\$\color{2}.50
\$\color{2}.50\$
Southend Property 5½% Cm Pf Southend Property 51/2% Cm Pf 2.75p Do 8% Un Ln 2020 £4.0 South Staffs Water Hidgs 54p Do 9% Rd Pi 1998/2000 4.5p South Staffs Water 31/2% Perm Db £1.75 Do 4% Perm Db £2.0 Do 5% Perm Db £2.50 Do 95% Rd Db 1998/2000 £4.625

Ronson 1.25p Roskel 3.3p Rubicon 6% Pf 1.05p

Russell (A) 534% Cv Pf

State Bank of New South Wales 7% Bd 1999 A\$70.0 Do 8½% Nts 1996 \$85.0 Stratagem 2p Sun Alliance 11.35p Sunderland 4½% Fd Debt Anns F2 25 Swansea 31/2% £1.75 TR Far East Inc Tst 1.6p Tarmac 2.5p Taylor Woodrow 2p Telemetrix 1.45p Tesco 6.55p Three Valleys Water 4% Irrd Conv Bd £2.0 Do 3½% Irrd Db £1.75 Do 4% Irrd Db £2.0 Do 4% irrd Db (1994) £2.0 Do 5% irrd Db £2.50

Do 5% Irrd Db (1994) \$2.50 Do 10% Rd Db 1996/98 25.0 Tilbury Douglas 15p Titon 1.6p Tomkinsons 3.5p UK Estates 6% Cv Pf 3p Uister TV 112.5p UniChem 5.3p United Biscuits 6.3p Warde Storeys 6p
Wardle Storeys 6p
Warmer Howard 5.85p
Watts Blake Bearne 10.8p
Wensum 3.425p
Willis Corroon 1.65p

Wreigham Water 312% Cons Db £1.75
Xerox S0.29
Yates (WE) 71:5% Pf 2.625p
Yorklyde 5.35p
York Waterworks 9% Rd Pf
1997 4.5p
Young & Co's Brewery 31:5% Irrd
Mtg Db £1.75

**TOMORROW** 

Abbot 1.12p Do 74% Cm Pl 3.625p Anglian Water 51/s% IL Ln 2008 23/239 Black (A & C) 9.75p Bruntcliffe Aggregates 0.85p Dean Corp 0.2p First Deb Fin 1114% Sev Gtd Db 2018 55.5625 Get 0.5p Hunting 6p Kansai Int Airport 8% Gtd Bd 2003 C\$80.0 Kokusai Denshin Denwa 6.1% Bd 1999 Y610000.0 Kingfisher 11.7p Marks & Spencer Fin 814% Gtd Bd 1996 \$412.50 Mitsubishi Warehouse 414% Bd 1998 Y450000.0 Pacific Dunlop 634% Sb Cv Bd 1997 \$67,50 Parity 1.5p Plantation & General Invs 9½% Cm Pf 4.75p

Premier Farnell 6.2p
TMC PIMBS 2nd Fin Ord Class
Nts Iss No 3 Jul 2030
\$2214.24 Tops Estates 10%% 1st Mtg Db 2011/16 £5.125 Tudor 0.75p Walker Greenbank 2.4p

■ WEDNESDAY JULY 3 Albany Inv Tst 3.35p Alida 94% Cm Pf 2008/13 4.625p British Empire Sec & Gen Tst

84% Db 2023 £4.0625 Do 10%% Db 2011 £5.1875 British Gas 8.1p British Polythene 94% Cm Pf 4.625p Clarkson (Horace) 1.75p Development Sec 1.6p Enterprise Inns 2.25p F & C PEP Inv Tst 1.65p Forward 4.8p Haden MacLellan 1.3p Innovations 2.5p I & S UK Smaller Co's Tst 1.9p Johnston 7p Metsec 2.2p Murray Split Cap Tst 2.75p Nihon Doro Kodan 9%% Gtd Bd 1996 Ecu91.25 1996 Ecu91.25 Nurdin & Peacock 4.98p P & O 1111/8 Bd 2014 £1150.0 Stingsby (HC) 12p Smith & Nephew 3.49p South African Breweries R1.93 Temple Bar Inv Tst 4.21% Cm Pf 2.1p Tokyu Land 6.1% Bd 1996 Y610000.0

**THURSDAY JULY 4** African Dev Bank 111/6% Ln 2010 £5.5625 Arcadian Int 0.9p Ashley (Laura) 0.5p Baird (Wm) 5.8p Bourne End Properties 0.65o Fine Art Devs 12.8p French Connection 2p Housing Fin 94% Db 2025 £4.8125 Quadramatic 3.8p Radamec 1.60 United Inds 0.3p Vaux 3.56p Wickes 1.5p

FRIDAY JULY 5 ABI Leisure 1.42p API 4.48p Abbey National Treasury 11.8% Gtd Nts 1996 L590000.0 Anglo Am Gold Inv R4.5 Annuities 24% £0.6875 Arcolectric 0.802p Do A NVtg 0.802p Bank of China FRN 1998

Bankers Inv Tst 4% Perp Db 52.0 £2.0 Barlows 1.5p Barr & Wallace Amold Tst 8p Beattie (J) 5.05p Blenheim 7p

Bridon 3.025p Brooke Tool Eng 0.1p Centex \$0.05 Cobham 6.6o Consolidated 21:9% 20.625 Coventry 814% Ln 2026 £4.125 Courteulds 5% Cm 1sy Pf 1.75p Croydon 31÷% £1.75 David Brown 5.2p Dunedin Worldwide Inv Tst 2.4p Edinburgh Inv tst 6.75p Etam 0.75p Finsbury Tst 2.2p Do A N/Vtg 2.2p Fishers Int 0.2o Gaskell 3p Hoare Govett 1000 Index Inv Tst 0.75p Hoare Govett Smaller Co's Index Inv Tst 1.25p Laing (J) 6p Do A N/Vtg 6p Majedie Invs 2.5p Meggitt 2.63p Metrolpolitan Water Staines Res Metropolitan Water Staines Hes 3% Gtd Db £1.50 M & G Recovery Inv Tst 2.45p Do Geared Units 2.45p Do Package Units 2.45p Nat West Bank 12½% Sb Un Ln 2004 £8.25

2004 16.25 Parambe 0.6p Peek 2.35p RM 1.8p Reckitt & Colman 12.8p Safford 84% Ln 2027/31 €4.125 Schlumberger \$0.375 Scottish American Inv 1,28p Shaftesbury 0.75p Simon Eng 0.64p Value & Inc Tst 2.2p WMX S0.16 Wankie Colliery ZS0.15 Yule Catto 4.8p

Do 111:2% Pf 1998/2003 5.75p **■ SATURDAY JULY 6** Blue Circle 614% Un Ln £3.125 Morgan Crucible Cv Pf 3.75p Smith (WH) 51/4% Rd Ln \$2.5625

Whitbread 74% Un IN 1996/ 2000 £3.875 Do 101/2 Un LN 2000/05 £5.25

SUNDAY JULY 7 Allied Domecq Fin 64% Gtd 8d 2008 £33.75 Sanderson Elec 2.1p

### **UK COMPANIES**

Capital Radio 4p Cariton Comms Cum

E TODAY COMPANY MEETINGS: Securities Trust of Scotland, Saltire Court, 20, Castle Terrace, Saline Count, 20, Cashe Tenac Scinburgh, 2.00 Value & Income Trust, Stuart lvory, 45, Charlotte Square, Edinburgh, 12.30

BOARD MEETINGS: Finals: Associated Nursing Services Carclo Engineering Hadleigh MFI Furniture

Westminster Scaffolding

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interims: Beale Coda Group Microgen Holdings Premier Land

**TOMORROW** COMPANY MEETINGS: Argyff Group, Savoy Hotel, Strand, W.C., 11.00 Owen & Robinson, College Hill Associates, 29 Gresham Street, E.C., 10.00

BOARD MEETINGS: Finals: Berkeley Group Brasway Cassidy Brothers

Hartstone Group Marston Thompson &

WEDNESDAY July 3 COMPANY MEETINGS: Albany inv Tst, Port of Liverpool Building, Pier Head, Liverpool, Borthwicks, Cromwell Hotel, 25-27 High Street, Old Town, Stevenage, Herts, 11.30 Edinburgh Inv Tst, Caledonian Hotel, Princess Street, Edinburgh, 12.00 Ferguson International

Waterman's Hall, 18 St Mary at Hill, 11.30 Fleming Far Eastern Inv Tst, Insurance Hall, 20 Aldermanbury, Land Securities, Claridges Hotel, Brook Street, W., 12.00 M&G Recovery Investment, M&G Group, 7th Floor, 3 Minster Court, Great Tower Street, E.C.,

1.75p Record 2.45p Recland 11.17p

Richards 1.07p Rolls-Royce 3p

Reed (Austin) 4p Renold 6% Pf 2.1p Republic New York \$0.38

10.00 J Sainsbury, Q.E.2 Conference Centre, Westminster, S.W., 12.00 Ugland International Holdings, Baltic Exchange, Lower Ground Floor, 38 St Mary Axe, E.C., 12.00

BOARD MEETINGS: Court Cavendish Cray Electronics General Electric Gardiner Group

COMPANY MEETINGS:
Arcolectic Holdings, Head
Office, Factory 1, 61 Central
Avenue, West Molesey, Surrey,
11.00 Fine Art Developments

Devonshire Arms, Bolton Abbey, Skipton, North Yorkshire, 4.00 First Ireland Inv, AlB Bank, 12 Old Drury, E.C., 12.00

World Mobile

Conference

Strategies for

the Wireless

Villennium

Communications

Hoare Govett 1000 Index Inv Tst, 4 Broadgate, E.C., 10.30 Hoare Govett Smaller Companies Index Inv Tst, 4 Broadgate, E.C., 10.00
Time Products, Claridges Hotel,
Brook Street, W., 3.00
UMECO, Bear Hotel, Chamham
Street, Hungerford, Berkshire,

BOARD MEETINGS: Finals: Abtrust New Dawn IT **Burtonwood Brewery** Gibbon Group Jury Hotel

12.00

Finsbury Tst, Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, E.C., 12.00 Tie Rack, RSA, Tavern Room, 8 John Adam Street, W.C., 10.30, Vosper Thomycroft Holdings, Vosper Thomycroft, Victoria Road, Woolston, Southampton, 2.30 2.30 Voyager European Smaller Companies Inv Tst, Chiene & Tait CA, 3 Albyn Place, Edinburgh, 12.00

FRIDAY July 5
COMPANY MEETINGS:

BOARD MEETINGS:

Merrydowr TR Technology Interin:

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary

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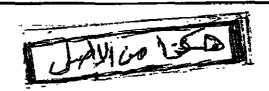
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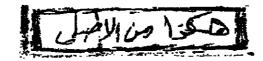
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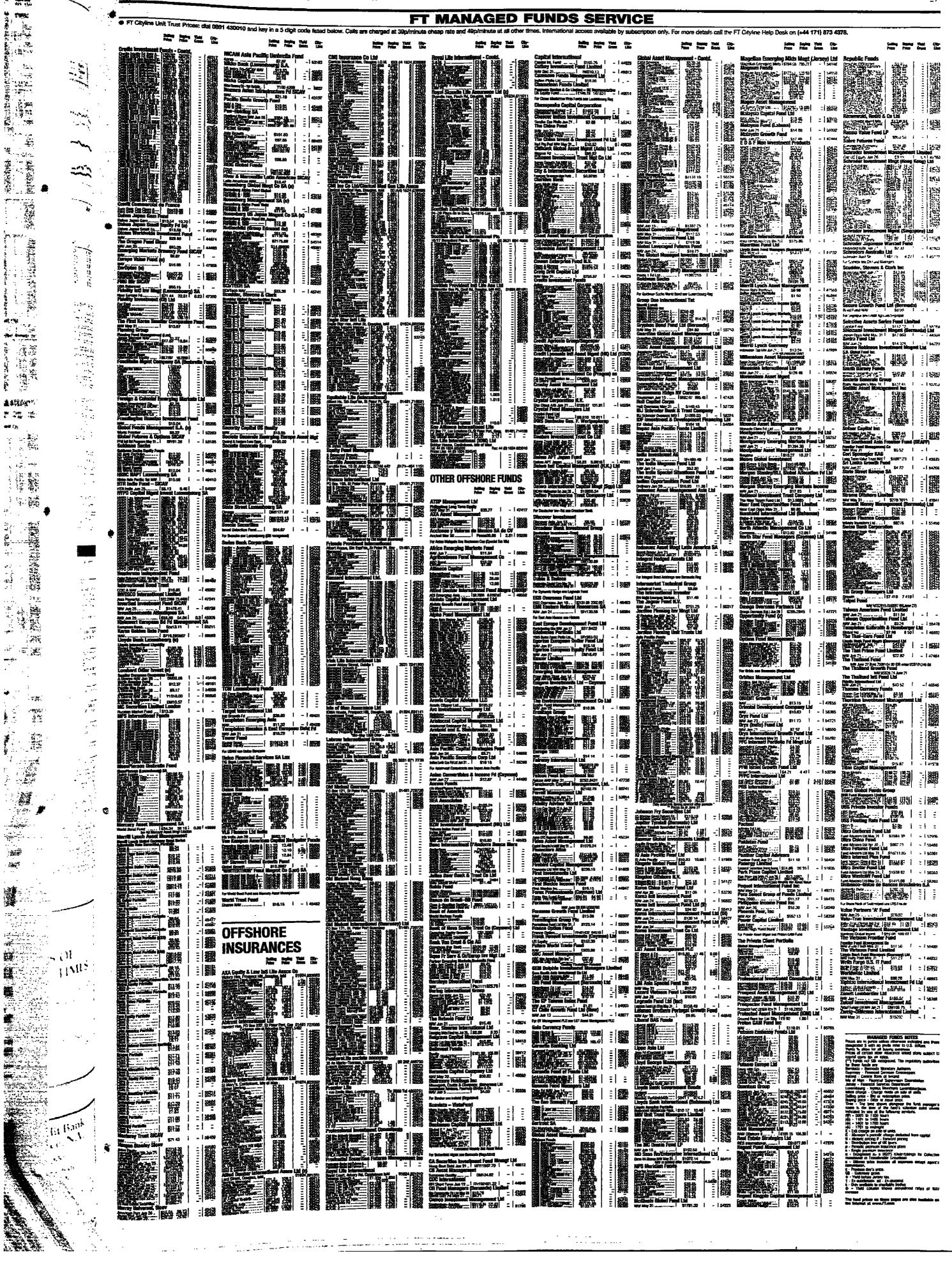
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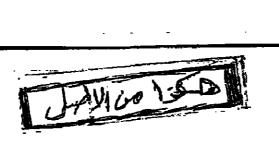


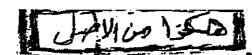
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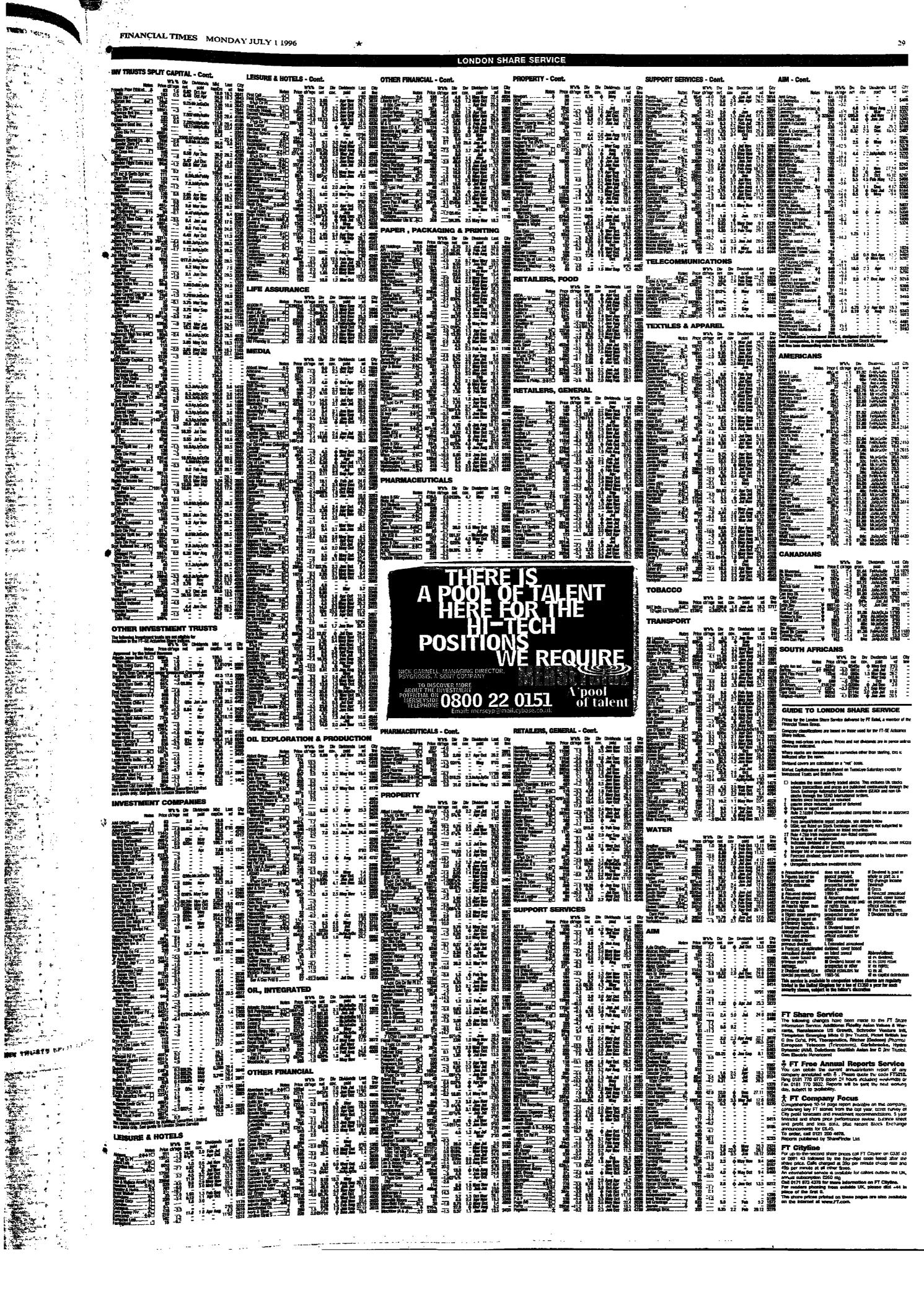
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### MONDAY

### China starts HK countdown

Alongside the 75th anniversary of the founding of the Chinese Communist Party in Shanghai, China is celebrating the beginning of the 12-month countdown to its resumption of sovereignty over Hong Kong on June 30 1997. Although the party's first meeting, attended by Mao Zedong, actually took place on July 23, for convenience July 1 is officially recognised as the anniversary. China plans to step up its publicity campaign to highlight preparations for Hong Kong's return to the 'embrace of the motherland".

Yuan move for convertibility China begins to phase in arrangements to make its currency, the yuan, convertible on the current account. Foreign funded enterprises will be able to "buy and sell" foreign exchange at banks. Previously these enterprises were obliged to use government-supervised "swap centres". China plans to achieve current account convertibility by the end of this year to bring itself into line with the requirements of the International Monetary Fund.

**Mrs Clinton tours Europe** Hillary Clinton, the wife of the US president, visits Romania at the start of a trip to central and eastern Europe that will also take her to Poland, the Czech Republic, Slovakia, Hungary, Estonia and Finland (to July 11). The White House says the trip is to highlight the region's "significant political, economic and social progress" and is being made at the request of President Bill Clinton.

### Euthanasia to be legalised



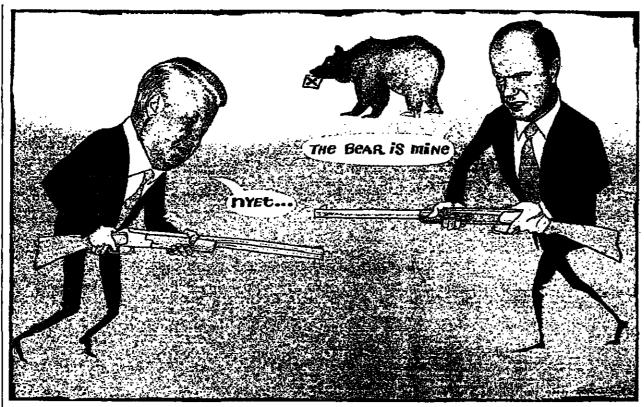
Legislation to make euthanasia legal in Australia's Northern Territory is due to come into force. The Rights of the Terminally III Act allows anyone diagnosed

with a terminal illness to request a painless death by drugs. However, the legislation has been controversial and a court challenge by the Australian Medical Association could delay implementation. Meanwhile, a private member's bill to allow the federal government to override the legislation is set to be debated in parliament.

### Albanian parliament meets

Albania's new parliament holds its opening session after a general election in May marred by vote-rigging and violence. President Sali Berisha, whose Democratic Party won 122 out of 140 seats, has rejected proposals by the US and the Organisation for Security and Co-operation in Europe for a fresh election. The main opposition Socialist Party, with 10 seats, says it will hoveott narliament, but three smaller parties are expected to take their seats.

Ireland takes EU presidency Ireland, an enthusiastic member of the



Red in tooth and claw; Russian Communist leader Zyuganov does battle with President Yeitsin in the country's leadership contest; a tight race is expected

EU presidency. It will attempt to steer the 15 members through the negotiations on the inter-governmental conference to review the Maastricht Treaty. Dublin is keen to give special attention to employment issues, drug trafficking, the institutional reform of the Commission. tax fraud and defence and security.

### **Farmers encounter Fischler**

Farmers at leading UK agricultural showcase the Royal Show may have something to say to Franz Fischler, the European Commissioner responsible for agriculture, when he opens the event today. Mr Fischler had the job of imposing the EU's export ban on British beef, but was invited to open the show last November before the "mad cow disease" crisis erupted. Sir David Naish, president of the National Farmers' Union, and Don Curry, chairman of the Meat and Livestock Commission, now diplomatically say: "Mr Fischler does seem to be trying to work towards a resolution".

British Isles outdoor championships and international series, Ireland (to July 5).

### Public holidays Bangladesh, Botswana, British Virgin Islands, Canada, Cayman Islands, Colombia, Ghana, Lesotho, Pakistan, Surinam, Taiwan, Thailand, Zambia.

# TUESDAY

Strike over SA privatisation The battle over South Africa's

Transport Workers' Union members strike over the government's refusal to negotiate over its green paper on transport. Mac Maharaj, the transport minister, plans to increase private-sector involvement in public transport by outsourcing existing services and granting new contracts to private companies.

Oxford University v Cambridge University, Lord's, UK (to July 4).

Public holiday Zambia.

### WEDNESDAY

### Caricom in US banana tussle



The US decision to take a complaint about the EU's banana preferences to the World Trade Organisation will occupy the Caribbean Community (Caricom) heads of

government meeting in Barbados (to July 7). Members fear the collapse of several island economies that are dependent on the EU preferences.

## Russian election run-off

Boris Yeltsin, the Russian president, and Gennady Zyuganov, his Communist rival. compete in a run-off for the Russian presidency. Although Mr Yeltsin, who says his opponent wants to bring back the prison camps and food shortages of the European Union. takes over the six-month | privatisation plans takes a new turn when | Soviet era, narrowly won the first round,

Statistics to be released this week

it is likely to be a tight race. Last-minute health concerns about Mr Yeltsin and infighting within his entourage may have taken the lustre off his promises to bring stability to Russia. However Mr Zyuganov appears to have failed to extend his constituency beyond the pensioners, peasants and blue collar workers.

### Saleroom



Traditional works of art come into their own in London with the start of a series of sales from the collection of the Bute family at Christie's and important auctions of Old

Masters at Sotheby's and Christie's. On Friday Christie's holds its major summer Old Master sale. The executors of the 6th Marquess of Bute expect to raise at least 56m. A Madonna and Child by Annibale Carracci should make £300,000, and a set of four silver George II candlesticks by Paul de Lamerie is estimated to make a similar sum. The highlight at Sotheby's is a courtyard scene by Pieter de Hooch, estimated at £3m.

### WTO tackles US tariffs

The World Trade Organisation's dispute settlement body meets in Geneva to consider a European Union request for a panel to rule on punitive tariffs imposed by the US in retaliation for the EU's 1988 ban on hormone-treated beef. The EU says the US duties - on \$100m (£65m) of EU pasta, tinned tomatoes and citrus fruits break WTO rules outlawing unilateral trade action ahead of a WTO ruling.

# Rowing

Henley Royal Regatta, UK (to July 7).

and charming Oscar de la Renta is producing his second collection. Athletissima 96, Lausanne, Switzerland.

> FT Surveys Ghana; Romania.

Public holidays Algoria, Armenia, Czech Republic. Slovakia, Venezuela.

### Taken for a ride

SATURDAY



Sonkajarvi, a remote town in Finland, holds its lifth annual woman carrying championship. The contestants have: to convey a we am older than 17 over a 253-yard obstacle lestigation int

Mokfurt airport

aption widen

course which includes a waist-high pool. and two fences. The dropping of a woman incurs a 15-second penalty, and the winner is awarded his partner's weight in lemonade. The contest is inspired by 19th-century bandit initiation rites.

### Tennis

# Italy; Business Arts Sponsorship.

Public holidays Bosnia & Herzegovina, Guam, Israel, Puerto Rico, Rwanda, Tonga, United States, Virgin Islands, Yugoslavia.

# FRIDAY

FT Survevs

Virgin Islands.

Foreign Exchange.

**Public holiday** 

THURSDAY

FT Review of Information Technology:

Blair presents pre-manifesto

Tony Blair, leader of the UK Labour party.

will present its pre-election policy document, Road to the Manifesto. This

will set out the pledges of a Labour government in what is one of Mr Blair's

image and to lead it out of opposition after

17 years. A general election must be called by John Major, the prime minister, before

next May. Mr Blair will tour the country

to explain the document and all Labour

members will vote on it in the autumn.

sidestep the trade unions and party

Labour's socialist creed.

Cricket

(to July 8).

FT Surveys

Leftwingers see the package as aiming to

conference and to shed what remains of

Third Test, Trent Bridge: England v India

piggest steps to transform his party's

Germans pass telecoms law A new law regulating Europe's biggest telecoms market after it is fully liberalised in 1998 is to be passed by the Bundesrat. the second chamber of the German parliament. After months of wrangling, a compromise appears to create the basis for what analysts suggest will be a liberal telecoms regime where licences will be handed out to any operator who applies.

### OSCE gathers in Stockholm

More than 500 parliamentarians from the 55 member states of the Organisation for Security and Co-operation in Europe gather in Sweden's Riksdag (parliament) in Stockholm to discuss subjects ranging from the peace process in Bosnia to economic development in eastern Europe (to July 9).

## Haute couture in Paris

Actual

88

C\$1.0bn

-FM1.1bn

348.000

34.3

1.8%

It's *haute couture* time again in Paris and all eyes are focused - once more - on Briton John Galliano, who took over in January at Hubert Givenchy. He must combine charm and wearability with his trademark of spiky, edgy excitement. Those simply interested in beautiful, rable. flattering clothes, should watch Balmain, where the immaculately smooth | Fax: (+44) (0)171 873 3194.

Wimbledon championship finals, London

### **Public holidays** Czech Republic, Lithuania.

# SUNDAY

Optimism at Aids conference Spirits should be unusually high in Vancouver, Canada, as 15,000 Aids and HIV researchers, activists and sufferers as well as biotechnology and drugs company executives, arrive for the 11th biennial International Conference on Aids. New drug launches have proved surprisingly effective at slowing or stopping the progress of the disease, although the stay is not yet over. The treatments are not cures and their long-term safety and efficacy are unknown. And governments have yet to work out how to pay for their

### El Loco leads in Ecuador

Abdala Bucaram, who calls himself #1: Loco, meaning madman, leads in the opinion polls for the run-off in Ecuador presidential election. Mr Bucaram, a populist who lost by a small margin to Jaime Nebot in the first round, vows to fight gross income inequalities, introduce subsidies and renegotiate Ecuador's foreign debt. Mr Nebot espouses marketoriented reforms and modernisation.

Wimbledon championship finals, London

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# **Public holiday**

Yemen.

### Monday: In the aftermath of the meeting of G7 leaders last weekend, the markets will have some interesting data to watch this week from two of the world's largest economies

Other economic news

 the US and Germany. The US survey of purchasing managers may provide signs of strengthening demand in June: most economists expect it to paint a slightly better picture than in May.

US personal consumption is

also likely to show a steady, upwards trend. Wednesday: German industrial production data could indicate a long awaited

rebound. Most economists expect manufacturing to recover slightly in May. in the UK the governor of the Bank of England and the Chancellor meet for their regular monetary meeting. Few economists expect a rate cut,

following last month's surprise

reduction. Friday: June non-farm pay rolls in the US will be watched very closely, after unexpectedly strong job growth in May's data fuelled fears that the US economy might be growing too fast again. Most economists expect the increase in jobs to be considerably more modest this time.

Released	Country	Statistic	Forecast	Actual
Mon	US	May personal income	0.5%	0.5%
July 1	US	May personal consumption expend	0.6%	0.1%
	US	June Ntnt Ass Purchasing Managers	51.0%	49.3%
	US	May construction spending	unch	1.4%
	US	June domestic auto sales	7.5m	7.8m
	US	June domestic light truck sales	6.2m	6.1m .
	Japan	June auto sales**	-	5.2%
	Japan	June forex reserves*	-	1.3%
	UK	June MO*	0.9%	0.2%
-	UK	June MO**	6.8%	6.2%
	UK	June Chart'd Inst Purchasing Mingrs	-	47.1%
	UK	May consumer credit	£0.8bn	nd0.13
Tues	US	May leading indicators	0.2%	0.3%
July 2	US	Mitsubishi Indx	-	0.3%
	US	May new home sales	740,000	776,000
	Japan	May Bank Jpn corp services prices*	• .	0.0%
	Japan	May Bank Jpn corp services prices**	-	-0.8%
	UK	June offical reserves	-	-\$93m
	Italy	May hourly wages	2.1%	3.8%
	Aus'ka	May current a/c	-A\$1.8bn	-A\$2.0bn
Wed	US	May factory orders	1.7%	-0.1%

May factory inventories

May home completions

Initial claims w/e June 29

Day Released	Country	Statistic	Median Forecast
Thur ·	Canada	June foreign reserves - change	C\$0.5bn
July 4	Canada	June help wanted indx†	89 '·
	Finland	May current a/c	FM0.9bn
Fri	US .	June non-farm payrolls	150,000
July 5	US	June manufacturing payrolls	5,000
	30	June hourly earnings	0.3%
_	US	June average workweak	
	US	June unemployment rate	5.6%
	.US	M2 w/e June 24	-\$2.0bn
	UK :	May housing starts	- ''
	Italy	1st qtr gross domestic product***	0.2%
	Italy	1st qtr gross domestic product**	1.2%
	Italy	June consumer price indo	0.1%
	Italy	June consumer price indx**	3.9%
•	Spain	June forex reserves.	
	N'lands .	June consumer price indx*	-0.2%
	Canada	June employment*)	0.2%
	Canada	June unemployment rate.	9.4%
During t	he week		
	Germany	May indust prodition, pan-Germany	0.5%
	Germany	May manufig output, pan-Germany	0.3%
	Germany	May industrial production, West*	-
٠.	Germany	May manufig orders, pan-Germany	0.2%
	N'lands	1st qtr gross domestic product fni**	1.8%

1 Throw a cape on for modesty 1 Christ

(7)
5 Moving quickly back to crowd round Crosby (7)
2 When you once changed rest day? (9) 9 Leave standing during match 16 Subordinate sick in any car

when travelling (9)

11 Passed up and grasped (9) 12 The same old copper wants it to (5) 13 Woman in posh car used to

trap motorists (5)
15 Uncle rose, replacing some thing in envelope (9)
18 Man before last is mad with

monarchists (9) 19 I nipped back with a bone (5) 21 Meant to be sung in unusually rich circles (5)

23 Hates trip arranged by hospital worker (9) 25 Top communists needed it to

rub back during game (9)

26 Claw left hole in brown con20 Harmonised as a topless student danced (7) tainer (5)

27 They buy things in the 22 Memento of quarrel I cried

Aus'ka May building approvals DOWN I appreciate being

3 Insist upon cut-back, and about time! (5) Electrician left ruler amongst some fireworks (9) Boycott firm introducing breakfast food? (5)

US

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US

July 3

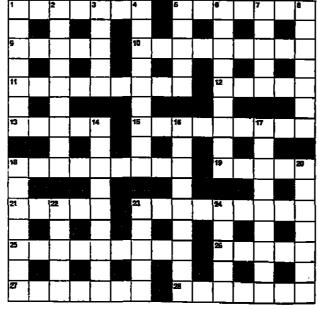
6 Clumsy mother and son upset 7 Tina's bothered about parking

being awkward (5)

8 Fellow bellringer helps secure tent (7) 14 Regiment traced and moved elsewhere (9) dish (9)

Admitting free bundle could be excessive (9) 18 Man leaving here and failing to slip back (7)

Algarve (7) over (5)
28 Ceded on broadcasting in 23 if short of time believes sup-24 One races back into Bill's



355,000

1.33n

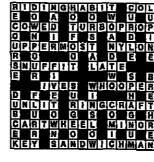
0.1%

### **MONDAY PRIZE CROSSWORD** No.9,108 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday July 11, marked Monday Crossword 9,108 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 SHL. Solution on Monday July 15. Please allow 28 days for delivery of

Address Winners 9,096 Mrs. M. Torrance, New Rom-

ney, Kent John Tostevin, High Wycombe, Bucks. Vivienne Smith, Reading, Mrs. Iris Hawker, Northborough Allen Petersen, Illinois Simon Dunning, Blanefield



Solution 9.096

produce produc Post properties of the propert (2) to 1000 (1000) 127 began be 6,000 0.3% 5.6% \$7.3bn 54,000 -1.0% 2.4% 0.4% 4.3% \$3.1bn -0.2% 0.1% 9.4% 1.4% -0.1% 0.2% 2.2%

**JOTTER PAD**